

**Ocean City-Wright Fire Control  
District**

**Financial Statements**

**September 30, 2015**



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**Ocean City-Wright Fire Control District**  
**Table of Contents**  
**September 30, 2015**

	<u>Page</u>
<b>REPORT</b>	
Independent Auditors’ Report	1
<b>FINANCIAL STATEMENTS</b>	
Management’s Discussion and Analysis (required supplementary information)	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Fund	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund	14
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Fund to the Statement of Activities	16
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position – Pension Trust Fund	17
Statement of Changes in Fiduciary Net Position – Pension Trust Fund	18
Notes to Financial Statements	19
Required Supplementary Information (other than MD&A)	
Budgetary Comparison Schedule – Governmental Fund	42
Schedule of Changes in Net Pension Liability and Related Ratios	44
Schedule of Pension Contributions	45
Schedule of Pension Investment Returns	47
Schedule of Funding Progress for Other Postemployment Benefits	48
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill	49
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements In Accordance with <i>Government Auditing Standards</i>	50
Management Letter	52
Attestation Report on Compliance with Section 218.415 Florida Statutes	54



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## **INDEPENDENT AUDITOR'S 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, 2015, 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.

### **Auditor's 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, 2015, 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.

## **Change in Accounting Principle**

As discussed in Note 2 to the financial statements, in 2015 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2016, 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 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
May 16, 2016



## **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 \$3,407,465
- Net position increased by \$429,213
- Total revenues increased \$180,627 and total expenses decreased \$257,897. Revenues increased due to higher ad valorem taxes and expenses decreased as a result of reducing personnel 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 10 – 11 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 12. 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.

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

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.

### CONDENSED STATEMENT OF NET POSITION

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

<i>As of September 30,</i>	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 5,137,487	\$ 2,639,402	\$ 2,498,085
Capital assets, net	3,352,608	2,443,228	909,380
Total assets	<u>\$ 8,490,095</u>	<u>\$ 5,082,630</u>	<u>\$ 3,407,465</u>
<b>Deferred outflows of resources</b>	<u>727,835</u>	<u>-</u>	<u>727,835</u>
Total assets and deferred outflows of resources	<u><u>\$ 9,217,930</u></u>	<u><u>\$ 5,082,630</u></u>	<u><u>\$ 4,135,300</u></u>
<b>Liabilities</b>			
Current liabilities	\$ 795,920	\$ 289,525	\$ 506,395
Other liabilities	12,253,352	9,169,597	3,083,755
Total liabilities	<u>13,049,272</u>	<u>9,459,122</u>	<u>3,590,150</u>
<b>Deferred inflows of resources</b>	<u>388,624</u>	<u>272,687</u>	<u>115,937</u>
<b>Net position</b>			
Net investment in capital assets	2,364,965	2,069,089	295,876
Restricted - impact fees	217,771	158,041	59,730
Restricted - construction	2,460,071	-	2,460,071
Unrestricted	(9,262,773)	(6,876,309)	(2,386,464)
Total net position	<u>(4,219,966)</u>	<u>(4,649,179)</u>	<u>429,213</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 9,217,930</u></u>	<u><u>\$ 5,082,630</u></u>	<u><u>\$ 4,135,300</u></u>

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

Total assets increased \$3,407,465 or 67% during the fiscal year ended September 30, 2015. Cash increased \$2,130,400 due to funds obtained from debt financing to construct the new fire station.

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

Capital assets increased in the amount of \$909,380 or 37% as a result of the District acquiring land to build the new fire station.

Total liabilities increased \$3,590,150 or 38% over prior year as a result of debt obtained to acquire land and construct a new fire station. In addition, the District's net pension liability increased \$135,037.

### CONDENSED STATEMENTS OF ACTIVITIES

The following schedule compares the Statement of Activities for the current and previous fiscal year. Certain prior year amounts have been modified to reflect changes associated with the adoption of new accounting standards in the current year.

<i>Year ended September 30,</i>	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Program revenues:</b>			
Charges for services	\$ 99,875	\$ 114,355	\$ (14,480)
State retirement contributions	272,208	284,659	(12,451)
Grants and contributions	22,287	28,109	(5,822)
Total program revenues	<u>394,370</u>	<u>427,123</u>	<u>(32,753)</u>
<b>General revenues:</b>			
Ad Valorem taxes	4,403,543	4,218,657	184,886
Investment interest	10,150	17,689	(7,539)
Miscellaneous	54,917	18,884	36,033
Total general revenues	<u>4,468,610</u>	<u>4,255,230</u>	<u>213,380</u>
Total revenues	<u>4,862,980</u>	<u>4,682,353</u>	<u>180,627</u>
<b>Program expenses:</b>			
Public safety			
Personal services	3,528,582	3,783,595	(255,013)
Operating services	670,366	672,940	(2,574)
Depreciation	234,819	234,626	193
Loss on disposal of capital assets	-	503	(503)
Total public safety expenses	<u>4,433,767</u>	<u>4,691,664</u>	<u>(257,897)</u>
Increase (decrease) in net position	429,213	(9,311)	438,524
Net position, beginning	(4,649,179)	4,164,434	(8,813,613)
Adjustments to net position - pensions	-	(8,804,302)	8,804,302
Net position, ending	<u>\$ (4,219,966)</u>	<u>\$ (4,649,179)</u>	<u>\$ 429,213</u>

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

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

Ad valorem tax revenues increased 4% or \$184,886 from the previous year as a result of the increase in the taxable base. Grant revenues decreased due to the District receiving less state grants in the current year than in the prior year. Public safety expenses decreased 4% or \$257,897 over the previous year as a result of decreased health insurance and retirement costs for the year.

Overall, net position increased \$429,213 for fiscal year 2015.

### GOVERNMENTAL FUND

As of September 30, 2015, the District's governmental fund (as presented on pages 12 - 16) reported a fund balance of \$4,752,495 which is an increase of \$2,225,609 or 88% as compared to the prior year.

During fiscal year 2015, the District incurred debt service payments including principal and interest totaling \$48,659. The District also incurred \$1,144,199 in capital outlay acquisitions which is an increase of \$816,568 or 249% from prior year capital outlay acquisitions of \$327,631. The District received \$3,110,000 from other financing sources in order to acquire land and build a new fire station.

### GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The District experienced a favorable increase in revenues as compared to the budget in the amount of \$502,415. This increase occurred due to additional unbudgeted grants and impact fees, additional ad valorem tax revenues, and unbudgeted state retirement contributions from the State of Florida.

The District had an unfavorable increase in expenditures with the budget in the amount of \$1,067,313. This increase occurred as a result of unbudgeted debt service expenditures and payments to the Pension Fund. In addition, the District incurred excess capital outlay expenditures in the amount of \$1,051,699 over budgeted amounts.

Overall, the Governmental Fund has an unfavorable excess over budgeted net revenues and expenditures in the amount of \$564,898 as reported in the Budgetary Comparison Schedule – Governmental Fund.

### CAPITAL ASSETS

At September 30, 2015, the District had \$3,352,608 invested in capital assets (net of depreciation). This amount represents a net increase (including additions and reductions) of \$909,380 or 37% above the fiscal year 2014 total primarily as the result of acquiring land for the new station.

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

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Land	\$ 1,106,271	\$ 81,517	\$ 1,024,754
Construction in progress	102,483	-	102,483
Buildings	785,794	781,794	4,000
Improvements	135,044	135,044	-
Furniture and fixtures	12,443	12,443	-
Vehicles/Apparatus	2,899,060	2,899,060	-
Other equipment	1,014,772	1,004,780	9,992
Total, prior to depreciation	6,055,867	4,914,638	1,141,229
Accumulated depreciation	<u>(2,703,259)</u>	<u>(2,471,410)</u>	<u>(231,849)</u>
Net capital assets	<u>\$ 3,352,608</u>	<u>\$ 2,443,228</u>	<u>\$ 909,380</u>

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

### LONG-TERM LIABILITIES

At September 30, 2015, the District has long-term liabilities which include compensated absences and an estimated liability for other postemployment benefits ("OPEB"), and the net pension liability. The District's long-term liabilities increased \$186,452 as compared to 2014 due to the increase in long-term debt to acquire a fire truck.

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Compensated absences, due in more than one year	\$ 215,949	\$ 240,739	\$ (24,790)
Other postemployment liability	65,853	59,529	6,324
Capital lease obligations, due in more than one year	3,304,898	337,714	2,967,184
Net pension liability	<u>8,666,652</u>	<u>8,531,615</u>	<u>135,037</u>
Total long-term liabilities	<u>\$ 12,253,352</u>	<u>\$ 9,169,597</u>	<u>\$ 3,083,755</u>

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

### 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 2.40 for the millage rate assessed in fiscal year 2016 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

### BOARD OF FIRE COMMISSIONERS

Robert Jankowski  
Chairman

John Johnston  
Vice-Chairman

Mike Urenda  
Secretary/Treasurer

Aaron Brown  
Commissioner

Mark Baugh  
Commissioner

### RETIREMENT BOARD OF TRUSTEES

Charles Darr

Linda Scott

Payne Walker

Clint Aden

Jeff Wagner

### MANAGEMENT

William Lord  
Fire Chief

Linda A. Scott  
Financial Administrator



## **Basic Financial Statements**

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

<i>September 30,</i>	<b>2015</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,174,809
Cash - restricted for construction	2,460,071
Accounts receivable	16,077
Due from other governments	54,453
Prepaid insurance	78,251
Investments	353,826
Capital assets, net	3,352,608
<b>Total assets</b>	<b>8,490,095</b>
<b>Deferred outflows of resources</b>	
Pension	727,835
<b>Total deferred outflows of resources</b>	<b>727,835</b>
<b>Liabilities</b>	
Accrued salaries and benefits payable	45,452
Due to pension fund	304,582
Accrued interest payable	47,377
Compensated absences - due within one year	255,693
Capital lease obligations - due within one year	142,816
Other postemployment liability	65,853
Compensated absences - due in more than one year	215,949
Capital lease obligations - due in more than one year	3,304,898
Net pension liability	8,666,652
<b>Total liabilities</b>	<b>13,049,272</b>
<b>Deferred inflows of resources</b>	
Pension	388,624
<b>Total deferred inflows of resources</b>	<b>388,624</b>
<b>Net position</b>	
Net investment in capital assets	2,364,965
Restricted - construction	2,460,071
Restricted - impact fees	217,771
Unrestricted	(9,262,773)
<b>Total net position</b>	<b>\$ (4,219,966)</b>

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

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

<i>Year ended September 30,</i>	<b>2015</b>
<b>Expenses</b>	
Public safety - fire protection	
Personal services	\$ (3,528,582)
Operating services	(670,366)
Unallocated depreciation	(234,819)
<hr/>	
Total program expenses	(4,433,767)
 <b>Program Revenues</b>	
Charges for services	99,875
State retirement contributions	272,208
Grants and contributions	22,287
<hr/>	
Total program revenues	394,370
Net program expense	(4,039,397)
<hr/>	
<b>General revenues</b>	
Ad valorem taxes	4,403,543
Investment interest	10,150
Miscellaneous	54,917
<hr/>	
Total general revenues	4,468,610
<hr/>	
Change in net position	429,213
Net position - beginning of year, as restated	(4,649,179)
<hr/>	
Net position - end of the year	\$ (4,219,966)
<hr/> <hr/>	

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

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

*September 30,*

**2015**

	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,174,809
Cash - restricted for construction	2,460,071
Accounts receivable	16,077
Due from other governments	54,453
Prepaid insurance	78,251
Investments	353,826
Total assets	\$ 5,137,487
 <b>Liabilities and Fund Balances</b>	
<b>Liabilities</b>	
Accrued salaries and benefits payable	\$ 45,452
Accrued compensated absences payable	34,958
Due to pension fund	304,582
Total liabilities	384,992
 <b>Fund balances</b>	
Nonspendable	78,251
Restricted	2,677,842
Committed	685,146
Assigned	1,403
Unassigned	1,309,853
Total fund balances	4,752,495
Total liabilities and fund balances	\$ 5,137,487

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

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

<i>September 30,</i>	<b>2015</b>
Total fund balances, governmental fund	\$ 4,752,495
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balance sheet.	3,352,608
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental fund balance sheet.	
Deferred outflows of resources - pensions	727,835
Deferred inflows of resources - pensions	(388,624)
Interest payable on long-term liabilities does not consume current resources and therefore is not reported in the governmental funds balance sheet.	(47,377)
Other postemployment liabilities do not consume current resources and therefore are not reported in the governmental fund balance sheet.	(65,853)
Capital lease obligation liabilities do not consume current resources and therefore are not reported in the governmental fund balance sheet.	(3,447,714)
Net pension liability does not consume current resources are not reported in the governmental funds balance sheet.	(8,666,652)
Compensated absences that are not currently due do not consume current resources and therefore, are not reported in the governmental fund balance sheet.	(436,684)
<b>Total net position - governmental activities</b>	<b>\$ (4,219,966)</b>

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

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

*Year ended September 30,*

**2015**

	<b>General Fund</b>
<b>Revenues</b>	
Ad valorem taxes, net of discounts	\$ 4,403,543
Investment interest	10,150
State retirement contributions	272,208
Grants and donations	22,287
Impact fees	59,730
Miscellaneous	95,062
Total revenues	4,862,980
 <b>Expenditures</b>	
Public safety	
Personal services:	
Salaries	2,296,577
Group employee life and health insurance	358,344
Employees' retirement contribution	
Section 175 plan - District	749,917
Section 175 plan - State	272,208
401(a) and 457(b) plans	27,047
Taxes - payroll	155,640
Workers compensation	81,000
Education	33,288
Operating services:	
Professional services	46,933
Central dispatch	5,760
Bunker gear	2,504
Fuel	30,538
Insurance	78,149
Advertising	1,808
Small equipment	28,048
Miscellaneous	60,993
Property appraiser	74,902
Repairs and maintenance	89,744
Administrative supplies	4,342

(continued)

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

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

	<b>General Fund</b>
<b>Expenditures</b>	
Building supplies	4,613
Uniforms	16,260
Utilities	48,073
Tax collector fee	87,825
<b>Capital Outlay</b>	
Land and building	1,131,237
Equipment	12,962
<b>Debt Service</b>	
Debt payments - principal	36,425
Debt payments - interest	12,234
<b>Total expenditures</b>	<b>5,747,371</b>
Excess (deficiency) of revenues over expenditures	(884,391)
<b>Other Financing Sources</b>	
Capital lease obligation	3,110,000
<b>Total other financing sources</b>	<b>3,110,000</b>
Net change in fund balance	2,225,609
Fund balances, beginning of year	2,526,886
Fund balances, end of year	\$ 4,752,495

*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 Fund to the Statement of Activities**

<i>Year ended September 30,</i>	<b>2015</b>
Net change in fund balances - governmental fund	\$ 2,225,609
Capital outlay, reported as expenditures in the governmental fund, is shown as capital assets in the Statement of Net Position.	1,144,199
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 fund.	(234,819)
Current change in other postemployment liabilities does not consume current resources and therefore is not reported in the governmental fund.	(6,324)
Deferred pension expenses are applicable to future periods and, therefore, are not reported in the funds.	476,861
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.	(44,352)
Current year change in debt and capital lease obligation utilizes (provides) current financial resources of the governmental fund, but reduces (increases) long-term liabilities in the Statement of Net Position.	(3,073,575)
Current year change in compensated absence liability does not consume current resources so therefore it is not reflected in the governmental fund.	(58,386)
<b>Change in net position of governmental activities</b>	<b>\$ 429,213</b>

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

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

<i>September 30,</i>	<b>2015</b>
<b>Assets</b>	
Investments	\$ 7,928,731
Due from general fund	304,582
Accrued investment income	13,783
<b>Net Position</b>	
Net position restricted for pensions	\$ 8,247,096

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

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

<i>Year ended September 30,</i>	<b>2015</b>
<b>Additions</b>	
Contributions - District	\$ 749,917
Contributions - Plan members	102,041
Contributions - State	272,208
<b>Total contributions</b>	<b>1,124,166</b>
<b>Investment Income</b>	
Net depreciation in fair value of investments	(595,821)
Interest	146,528
<b>Total net investment income (loss)</b>	<b>(449,293)</b>
<b>Total additions</b>	<b>674,873</b>
<b>Deductions</b>	
Administrative expense	93,531
Benefit payments	574,097
<b>Total deductions</b>	<b>667,628</b>
Change in net position restricted for pensions	7,245
Net position restricted for pensions, beginning of year	8,239,851
<b>Net position restricted for pensions, end of year</b>	<b>\$ 8,247,096</b>

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

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

### NOTE 1 – NATURE OF ORGANIZATION

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

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

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Fund Financial Statements:**

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

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

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

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

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

The District reports the following major governmental fund:

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.

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.

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

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

For the year ended September 30, 2015, 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 which are secured by the United States Government; the Local Government Surplus Trust Funds as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

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)*.

Cash at September 30, 2015 consisted of \$4,634,880 in interest bearing checking accounts. Investments at September 30, 2015 consisted of \$353,826 in a certificate of deposit. The certificate of deposit matures December 2015 and carries an annual percentage rate of 1.1%.

#### ***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.

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

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

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, 2015. The current and long-term portion of vested leave payable is recorded as an expense and a liability in the government-wide financial statements.

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 \$255,693. This amount plus the long-term portion of \$215,949 is reported in the government-wide financial statements. When combined, the District has a total accrued compensated absence liability of \$471,642 as of September 30, 2015.

#### ***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.

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

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

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

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

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

The Board of Commissioners approved for this fiscal year the millage rate of 2.25. 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.

#### ***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 also related to pensions that qualifies for reporting in this category.

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

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

#### ***New Accounting Standard***

The District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The District implemented this standard effective October 1, 2014 by reducing beginning Net Position by \$8,804,302.

#### ***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. For the year ended September 30, 2015, the District's expenditures exceeded budgeted expenditures by \$1,067,313. The budget was not amended during the year for land acquisition costs.

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, 2015:

	September 30, 2014	Additions	Retirements and Transfers	September 30, 2015
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ -	\$ 102,483	\$ -	\$ 102,483
Land	81,517	1,024,754	-	1,106,271
<b>Total capital assets not being depreciated</b>	<b>81,517</b>	<b>1,127,237</b>	<b>-</b>	<b>1,208,754</b>
<i>Capital assets being depreciated:</i>				
Buildings	781,794	4,000	-	785,794
Improvements	135,044	-	-	135,044
Furniture and fixtures	12,443	-	-	12,443
Vehicles/Apparatus	2,899,060	-	-	2,899,060
Other equipment	1,004,780	12,962	(2,970)	1,014,772
<b>Total capital assets being depreciated</b>	<b>4,833,121</b>	<b>16,962</b>	<b>(2,970)</b>	<b>4,847,113</b>
<i>Less accumulated depreciation:</i>				
Buildings	(256,504)	(21,856)	-	(278,360)
Improvements	(95,945)	(2,234)	-	(98,179)
Furniture and fixtures	(10,303)	(1,065)	-	(11,368)
Vehicles/Apparatus	(1,336,219)	(153,551)	-	(1,489,770)
Other equipment	(772,439)	(56,113)	2,970	(825,582)
<b>Total accumulated depreciation</b>	<b>(2,471,410)</b>	<b>(234,819)</b>	<b>2,970</b>	<b>(2,703,259)</b>
<b>Total capital assets being depreciated, net</b>	<b>2,361,711</b>	<b>(217,857)</b>	<b>-</b>	<b>2,143,854</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 2,443,228</b>	<b>\$ 909,380</b>	<b>\$ -</b>	<b>\$ 3,352,608</b>

Unallocated depreciation expense totaled \$234,819 for governmental activities for fiscal year ended September 30, 2015.

**NOTE 4 – DEBT**

***Capital Lease Obligations***

*Fire Truck*

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

**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:

<i>Year ending September 30,</i>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 142,816	\$ 133,266	\$ 276,082
2017	148,180	127,902	276,082
2018	153,747	122,335	276,082
2019	159,525	116,557	276,082
2020	165,521	110,561	276,082
2021 - 2025	826,875	456,216	1,283,091
2026 - 2030	836,608	300,507	1,137,115
2031 - 2035	1,014,441	122,674	1,137,115
Total minimum payments	3,447,713	\$ 1,490,018	\$ 4,937,731
Less current portion	(142,816)		
Capital lease obligations - due in more than one year	\$ 3,304,897		

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

Long-term liability activity for the year ended September 30, 2015, was as follows:

	<b>September 30,</b>			<b>September 30,</b>	<b>Due Within</b>
	<b>2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>2015</b>	<b>One Year</b>
Government-wide activities:					
Liability for compensated absences	\$ 378,298	\$ 93,344	\$ -	\$ 471,642	\$ 255,693
Liability for OPEB obligation	59,529	6,324	-	65,853	-
Capital lease obligation - truck	374,139	-	(36,426)	337,713	37,616
Capital lease obligation - station	-	3,110,000	-	3,110,000	105,200
Net pension liability	8,531,615	161,679	(26,642)	8,666,652	-
Total long-term liabilities	\$ 9,343,581	\$ 3,371,347	\$ (63,068)	\$ 12,651,860	\$ 398,509

**NOTE 6 – RETIREMENT PLANS**

***Defined Contribution Plans***

The District sponsors a 401(a) defined contribution plan (the Plan) for all non-firefighter employees beginning on the first day of the calendar year after their hire date. Contributions to the plan for the year ended September 30, 2015 were based on 15% of the employee's base salary. Total District contributions under this plan for the year ended September 30, 2015 equaled \$20,622.

Firefighter personnel may elect to participate in the 401(a) defined contribution plan; however, they cannot participate in both the defined contribution plan and defined benefit plan as described below.

The District also sponsors a voluntary 457(b) defined contribution plan for all employees. This plan is offered in addition to other retirement plans. Contributions made to this plan are employee elected contributions with the exception of one new employee who does not participate in either of the other two plans. For this employee, the District contributed \$6,425 in retirement benefits for the year ended September 30, 2015. The District will make retirement contributions for any new non-firefighter employees in the 457(b) rather than the 401(a) which will eventually be phased out. Each participant's account is immediately 100% vested.

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.

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

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

*Vesting*

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

*Eligibility for Retirement*

Members are eligible for normal retirement at the earlier of age 55 and 10 years of credited service, or age 52 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.

*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.

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

At September 30, 2015, the Plan had a total of 53 members with 37 active members, of which no members were eligible for normal retirement and none were participating in DROP. The Plan also has 11 inactive members currently receiving benefits and 5 inactive members entitled to, but not yet receiving benefits.

*Deferred Retirement Option Program*

The Plan offers a deferred retirement option program (DROP) to any member satisfying the normal retirement requirements. Participation in DROP may not exceed 60 months. Upon entering DROP, a member may choose from the following two rate of return options: (a) the actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or (b) 6.5% per annum compounded annually. At September 30, 2015 the DROP balance is \$-0-. 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, 2015, all of the Chapter 175 Plan assets were being managed by Salem Trust Company.

*Rate of Return*

For the year ended September 30, 2015 the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was -6.14 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 5% 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 38.5% of employees' salaries for a combined contribution rate of 43.5% of annual covered payroll. This rate was determined from an actuarial report as of October 1, 2013, 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, 2015, the District received \$272,208 from the State of Florida as proceeds from this tax. This amount was used to help fund the required contribution.

The required combined contribution of \$761,399 was determined as part of the actuarial valuation as of October 1, 2013, 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, 2015 were as follows:

Total Pension Liability	\$ 16,859,313
Plan Fiduciary Net Position	<u>(8,192,661)</u>
Sponsor's Net Pension Liability	<u>\$ 8,666,652</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	48.59%

*Actuarial Assumptions*

For the year ended September 30, 2015, the actuarial assumptions used to determine the Annual Required Contribution included a 7.75% investment rate of return (net of investment related expenses) compounded annually and a 6.25% projected salary increase per year until the assumed retirement age. Projected salary increase includes inflation at 3.0% and post retirement cost of living adjustment (COLA) for service retirees is 2%.

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

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

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

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1991-2007.

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.5%
International Equity	8.5%
Core Fixed Income	2.5%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.75 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.

*Sponsor's Net Pension Liability*

1% decrease of discount rate to 6.75%	\$10,754,104
Current discount rate of 7.75%	\$ 8,666,652
1% increase of discount rate to 8.75%	\$ 6,913,071

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

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

For the year ended September 30, 2015, the District recognized a pension expense net of State contributions of \$273,056. 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	\$ -	\$ 388,624
Net difference between projected and actual earnings on pension plan investments	727,836	-
<b>Total</b>	<b>\$ 727,836</b>	<b>\$ 388,624</b>

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

Year ended September 30:	Amount
2016	\$ 87,192
2017	87,191
2018	87,191
2019	155,363
2020	(77,725)
Thereafter	-

*Investments*

The Plan limits the aggregate investment in corporate equities to 75% of the Plan assets at fair market value. At September 30, 2015, this percentage was approximately 73% 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, 2015, the plan's largest equity position in one company equaled approximately 3.4% of the Plan's total assets at fair market value. At September 30, 2015, none of the investments listed in the investment schedule are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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

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

*Cash and Investments*

The following table presents the fair value of the Plan's investments at September 30, 2015:

	<b>Fair Value</b>	<b>Fair Value as a % of Plan Net Assets</b>
<i>Investments for which Fair Value was Determined by Quoted Market Price:</i>		
Cash	\$ -	0%
Certificates of Deposit	50,078	1%
US Government and Treasury Obligations	135,813	2%
Collateralized Mortgage Obligations (CMOs)	146,375	2%
Goldman Sachs Money Market Funds	213,016	3%
Corporate Bonds	1,522,057	19%
Municipal Obligations	68,188	1%
Equities	5,793,203	72%
<b>Total</b>	<b>\$ 7,928,730</b>	<b>100%</b>

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. See below for a schedule of investments held by the District as of September 30, 2015 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.

**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.

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

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

See below for a schedule of investments held by the District as of September 30, 2015 subject to interest rate and credit risk.

<u>Maturity schedule (IRR)</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>	<u>10+ years</u>
Certificates of Deposit	\$ 50,078	\$ 50,078	\$ -	\$ -	\$ -
Government Bonds	135,813	59,953	75,860	-	-
CMOs	146,375	-	-	-	146,375
Corporate Bonds	1,522,057	349,304	813,560	176,846	182,347
Municipal Bonds	68,188	-	19,942	48,246	-

  

<u>S &amp; P Rating (CR)</u>	<u>Fair Value</u>	<u>AAA to A-</u>	<u>BBB+ to B-</u>	<u>CCC+ to CCC-</u>	<u>NR</u>
Certificates of Deposit	\$ 50,078	\$ -	\$ -	\$ -	\$ 50,078
Government Bonds	135,813	135,813	-	-	-
CMOs	146,375	97,550	48,825	-	-
Corporate Bonds	1,522,057	573,461	948,596	-	-
Municipal Bonds	68,188	48,246	19,942	-	-

The other significant plan asset at September 30, 2015 includes a money market fund investment which was with Goldman Sachs Financial Square Treasury Obligation Fund. This money market fund was rated AAAM/Aaa and has a weighted average maturity of 56 days.

*Changes in Net Pension Liability*

<u>September 30,</u>	<u>2015</u>
Total Pension Liability	
Service Cost	\$ 324,974
Interest	1,235,278
Changes of Benefit Terms	(358,128)
Differences Between Expected and Actual Experience	
Changes of Assumptions	(466,348)
Employee Contributions	(574,097)
Net Change in Total Pension Liability	<u>161,679</u>
Total Pension Liability - Beginning	<u>16,697,634</u>
Total Pension Liability - Ending	<u><u>\$ 16,859,313</u></u>

**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, 2015, the District had no reserve for unemployment compensation. Because the amount of future loss cannot be estimated, no liability for these claims has been recognized in the financial statements. No claims were incurred or paid in the current year.

***Other***

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

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

***Accrued Leave***

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

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

Prior to October 1, 2014, the policy of the District and the Ocean City-Wright Professional Fire Fighters Association, IAFF Local #2879 (“the Union”) for vacation (annual) leave is as follows:

<u>Employment</u>	<u>Shift Employees</u>	<u>40 hour employees</u>
1 year	72 hours/ year	40 hours/ year
2 - 4 years	144 hours/ year	80 hours/ year
5 - 9 years	216 hours/ year	120 hours/ year
10 or more years	288 hours/ year	160 hours/ year

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

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

***Accrued Leave (Continued)***

According to the Union contract, upon termination, employees will be paid for all accumulated unused vacation. Union employees may accumulate and carry over vacation leave up to ½ of their vacation time for the hours earned in a year. Employees are not allowed to trade, transfer or give away earned vacation hours.

The policy of the District and the Union for sick leave is that all shift employees will receive 160 hours of sick leave on October 1<sup>st</sup> each year. Regular employees will receive 80 hours of sick leave on October 1<sup>st</sup> each year. Sick leave will be prorated for those who leave during the year and those who are beginning employment. Upon resignation or retirement, 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 regular 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. In addition, employees who do not use sick leave may accrue up to 100 additional hours over the maximum payout as noted above. 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. There is no maximum number of sick leave hours to be accumulated. The District pays biweekly. Employees are not allowed to trade, transfer, or give away earned sick leave hours.

Holiday pay for the union depends on the shift that works the holiday. Shift employees shall receive either 7 or 17 hours straight pay for the 10 recognized holidays. If a shift is not scheduled to work on the holiday, then the shift receives no holiday pay. The total amount of the unpaid accrued leave at September 30, 2015, was \$471,642.

As of October 1, 2014, the District adopted a new compensated absence policy impacting both annual and sick leave. Sick leave will no longer be offered except 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:

<u>Employment</u>	<u>Shift Employees</u>	<u>40 hour employees</u>
Less than 3 years	13 hours/ pay period	4 hours/ pay period
3 or more years	13 hours/ pay period	7 hours/ pay period

Non-union personnel may accumulate paid time off and carry no more than 350 hours at any time. Union personnel may accumulate paid time off and carry no more than 500 hours at any given time.

Although sick leave will no longer accrue for employees, sick leave remaining upon resignation, retirement, or death for administration personnel will be payable at a maximum of 300 hours after ten (10) years of service. Union employees will receive payment of sick leave upon separation of service by way of resignation, retirement or death at a rate up to a maximum of two hundred and fifty (250) hours at ten (10) years of service, three hundred and seventy five (375) hours at fifteen (15) years of service and five hundred (500) hours at twenty (20) years of service.

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

### 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. For the 2014-2015 fiscal year, four (4) retirees and three (3) covered spouses received postemployment health care benefits.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2015 are as follows:

Fiscal year Ending	Annual OPEB Cost	Estimated Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2015	\$ 36,338	\$ 30,014	82.6%	\$ 65,853
9/30/2014	37,165	29,753	80.1%	59,529
9/30/2013	41,470	30,158	72.7%	52,117

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

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

#### *Funded Status and Funding Progress*

As of October 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$413,203 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$413,203. The covered payroll (annual payroll of active participating employees) was \$1,880,944 for the 2012-2013 fiscal year, and the ratio of unfunded actuarial accrued liability to the covered payroll was 22.0%.

#### *Actuarial Method and Assumptions*

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 October 1, 2013, used the Entry Age Normal actuarial method with amortization on a level percentage basis, to estimate the unfunded and funded actuarial liability as of September 30, 2015 and to estimate the District's 2014-2015 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5% discount rate. The actuarial assumptions also included a payroll growth rate of 0% per year, and an annual healthcare cost trend rate of 7.5% initially for the 2009-2010 fiscal year, reduced to an ultimate rate of 4.5% by 2017. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis for 30 years.

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

<b><i>Year ended September 30,</i></b>	<b>2015</b>
Normal Cost (service cost for one year)	\$ 8,949
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	26,814
Interest on Normal Cost and Amortization	1,610
Annual Required Contribution (ARC)	37,373
Interest on Net OPEB Obligation	2,679
Adjustment to Annual Required Contribution	(3,714)
Annual OPEB Cost (Expense)	36,338
Contributions made	(30,014)
Increase (decrease) in Net OPEB Obligation	6,324
Net OPEB Obligation, beginning of year	59,529
Net OPEB Obligation, end of year	\$ 65,853

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

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

The following is a summary of the changes to Fund Balance for the year ending September 30, 2015:

	Balance at September 30, 2014	Excess of Expenditures and Other Uses Over Revenues and Other Sources	Changes in Encumbrances and Prepaids	Balance at September 30, 2015
Nonspendable				
Prepaids	\$ 69,003	\$ -	\$ 9,248	\$ 78,251
Restricted				
Impact fees	158,041	42,244	-	200,285
Construction	-	2,460,071	-	2,460,071
Committed				
Committed for working capital	280,711	-	-	280,711
Committed for vehicles	94,435	-	-	94,435
Committed for debt obligations	310,000	-	-	310,000
Assigned				
Encumbrances	1,370	-	33	1,403
Unassigned	1,613,326	(276,706)	(9,281)	1,327,339
<b>Totals</b>	<b>\$ 2,526,886</b>	<b>\$ 2,225,609</b>	<b>\$ -</b>	<b>\$ 4,752,495</b>

**NOTE 11 – RELATED PARTY**

The District obtains grant funds that benefit a related party, Okaloosa County Fire Rescue Organization, Inc. ("Special Ops"). Special Ops is related through common management. Special Ops is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code. Federal and State Grants are applied for in the name of the District and any assets acquired over \$1,000 are tagged with both the District and Special Ops identification numbers. Special Ops provides Okaloosa and surrounding counties with a special operations unit providing emergency response to hazardous materials, weapons of mass destruction, and environmental incidents and benefits. During the year, the District paid annual dues totaling \$8,000 to Special Ops. In addition, the District received grant funds during the year ended September 30, 2015 from the State of Florida totaling \$23,175 that benefit the Special Ops entity.

**NOTE 12 – COMMITMENT AND SUBSEQUENT EVENT**

In January 2016, the District finalized a construction contract in the amount of \$2,729,600 to build a new fire station. The District commenced construction of the new fire station in March 2016. The District expects the construction to be completed by January 2017.



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

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

Year ended September 30,

2015

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Ad valorem taxes collected	\$ 4,320,065	\$ 4,320,065	\$ 4,403,543	\$ 83,478
Investment interest	8,000	8,000	10,150	2,150
State retirement contributions	-	-	272,208	272,208
Grants and donations	-	-	22,287	22,287
Impact fees	-	-	59,730	59,730
Miscellaneous	32,500	32,500	95,062	62,562
<b>Total revenues</b>	<b>4,360,565</b>	<b>4,360,565</b>	<b>4,862,980</b>	<b>502,415</b>
<b>Expenditures</b>				
Personal services:				
Salaries	2,355,835	2,355,835	2,296,577	59,258
Employee life and health insurance	380,960	380,960	358,344	22,616
Employees' retirement contribution				
Section 175 plan - District	789,000	789,000	749,917	39,083
Section 175 plan - State	-	-	272,208	(272,208)
401(a) plan	40,000	40,000	27,047	12,953
Taxes - payroll	177,399	177,399	155,640	21,759
Workers compensation	62,418	62,418	81,000	(18,582)
Education	62,000	62,000	33,288	28,712
Operating services:				
Professional services	35,000	35,000	46,933	(11,933)
Central dispatch	7,000	7,000	5,760	1,240
Bunker gear	16,000	16,000	2,504	13,496
Fuel	45,000	45,000	30,538	14,462
Insurance	73,000	73,000	78,149	(5,149)
Advertising	5,000	5,000	1,808	3,192
Small equipment	31,497	31,497	28,048	3,449
Miscellaneous	93,900	93,900	60,993	32,907
Property appraiser	78,149	78,149	74,902	3,247
Repairs and maintenance	156,100	156,100	89,744	66,356
Supplies				
Administrative	6,000	6,000	4,342	1,658
Building	10,000	10,000	4,613	5,387
Uniforms	14,500	14,500	16,260	(1,760)
Utilities	61,800	61,800	48,073	13,727
Tax collector fee	87,000	87,000	87,825	(825)

(continued)

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

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
<b>Capital Outlay</b>				
Land and building	\$ -	\$ -	\$ 1,131,237	\$ (1,131,237)
Equipment	92,500	92,500	12,962	79,538
<b>Debt Service</b>				
Debt payments - Principal	-	-	36,425	(36,425)
Debt payments - Interest	-	-	12,234	(12,234)
<b>Total expenditures</b>	<b>4,680,058</b>	<b>4,680,058</b>	<b>5,747,371</b>	<b>(1,067,313)</b>
Excess (deficiency) of revenues over expenditures	(319,493)	(319,493)	(884,391)	(564,898)
<b>Other Financing Sources</b>				
Capital lease obligation	-	-	3,110,000	3,110,000
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>3,110,000</b>	<b>3,110,000</b>
Net change in fund balance	(319,493)	(319,493)	2,225,609	2,545,102
Fund balances, beginning of year	2,526,886	2,526,886	2,526,886	-
<b>Fund balances, end of year</b>	<b>\$ 2,207,393</b>	<b>\$ 2,207,393</b>	<b>\$ 4,752,495</b>	<b>\$ 2,545,102</b>

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

<i>September 30,</i>	2015	2014	2013
Total Pension Liability			
Service Cost	\$ 324,974	\$ 334,644	\$ 310,574
Interest	1,235,278	1,188,991	1,118,143
Change in Excess State Money	-	85,747	-
Change in Funding Standard Account	-	-	-
Share Plan Allocation	-	-	-
Changes of Benefit Terms	(358,128)	-	-
Differences Between Expected and Actual Experience	(466,348)	-	-
Changes of Assumptions	-	-	-
Contributions - Buy Back	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(574,097)	(543,077)	(534,162)
Net Change in Total Pension Liability	161,679	1,066,305	894,555
Total Pension Liability - Beginning	16,697,634	15,631,329	14,736,774
Total Pension Liability - Ending	<u>\$ 16,859,313</u>	<u>\$ 16,697,634</u>	<u>\$ 15,631,329</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 751,628	\$ 675,794	\$ 751,271
Contributions - State	293,054	271,575	256,100
Contributions - Employee	98,883	98,300	94,763
Contributions - Buy Back	-	-	-
Net Investment Income	(511,711)	886,217	515,106
Benefit Payments, Including Refunds of Employee Contributions	(574,097)	(543,077)	(534,162)
Administrative Expense	(31,115)	(16,744)	(14,235)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	26,642	1,372,065	1,068,843
Plan Fiduciary Net Position - Beginning	8,166,019	6,793,954	5,725,111
Plan Fiduciary Net Position - Ending	<u>8,192,661</u>	<u>8,166,019</u>	<u>6,793,954</u>
Net Pension Liability - Ending	<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	48.59%	48.91%	43.46%
Covered Employee Payroll	\$ 1,977,651	\$ 1,965,995	\$ 1,895,259
Net Pension Liability as a Percentage of Covered Employee Payroll	438.23%	433.96%	466.29%

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

<i>September 30,</i>	2015	2014	2013
Actuarially Determined Contribution	\$ 761,399	\$ 829,650	\$ 756,208
Contributions in Relation to the Actuarially Determined Contributions	1,044,682	861,622	756,208
Contribution Deficiency (Excess)	<u>(283,283)</u>	<u>(31,972)</u>	<u>-</u>
Covered Employee Payroll	\$ 1,977,651	\$ 1,965,995	\$ 1,895,259
Contributions as a Percentage of Covered Employee Payroll	52.82%	43.83%	39.90%

### Notes to Schedule

Valuation Date: 10/01/2014

Actuarially determined contribution rates are calculated as of October 1, one year 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
Amortization Method:	Level percentage of pay, closed
Remaining Amortization Period:	31 Years (as of 10/01/2014)
Actuarial Asset Method:	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation:	3.0% per year
Salary Increases:	6.25% per year until the assumed retirement age
Payroll Increase:	Up to 5.0% per year (4.5% for 2013 valuation)
Interest Rate:	7.75% per year compounded annually, net of investment related expenses.
Retirement Age:	Earlier of: 1) Age 52 and 25 years of Credited Service or 2) Age 55 and 10 Years of Credited Service regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing with the earliest Early Retirement Age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

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

Termination Rates: See Table Below.  
 Disability Rates: See Table Below. It is assumed that 75% of disablements are service related.  
 Mortality: RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).  
 Other Information: Termination and Disability Rate Table.

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



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

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

**Ocean City-Wright Fire Control District**  
**Schedule of Funding Progress for Other Postemployment Benefits**

<b>Estiamted Actuarial Valuation for Year Ending</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
10/1/14	N/A	N/A	N/A	N/A	N/A	N/A
10/1/13	\$ -	\$ 413,203	\$ 413,203	0.00%	\$ 1,880,944	22.0%
10/1/12	N/A	N/A	N/A	N/A	N/A	N/A
10/1/11	N/A	N/A	N/A	N/A	N/A	N/A
10/1/10	-	464,751	464,751	0.00%	1,786,194	26.0%
10/1/09	-	499,728	499,728	0.00%	1,749,241	28.6%



## **Supplementary Information**

**Ocean City-Wright Fire Control District**  
**Schedule of Receipts and Expenditures of Funds Related to the Deepwater**  
**Horizon Oil Spill**

*Year ended September 30, 2015*

Source	Amount Received in the 2014-15 Fiscal Year	Amount Expended in the 2014-15 Fiscal Year
<b>British Petroleum:</b>		
Claim No. CV-02866-CJB-SS	\$ 54,701	\$ 54,701

**INDEPENDENT AUDITOR'S 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 16, 2016.

**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 over financial reporting 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 deficiencies, significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We identified the following deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above.

### ***IC2007-01 Preparation of Financial Statements in Accordance to GAAP***

The preparation of financial statements in accordance with generally accepted accounting principles requires the preparer to have knowledge of the accounting principles affecting the entity, including financial statement disclosure requirements, the awareness of changes occurring in the accounting industry that could impact the entity's financial statements, and the knowledge of resources for researching accounting issues. Generally this knowledge is obtained through continued education courses and experience in a public accounting firm. Since most small governmental organizations are not adequately staffed to prepare full disclosure financial statements, this task is left to the certified public accounting firm engaged by the District. Before the financial statements could be prepared, we were also required to propose significant adjustments to fixed assets, prepaids, and pension accounts. Since the District must rely on our firm to propose significant adjustments, and to prepare its annual financial statements in accordance with generally accepted accounting principles, this is considered a material weakness in the District's internal control.

### ***IC2007-01 District Response***

The costs of internally preparing the annual financial statements outweigh the benefit of internally preparing them; therefore, the District has elected to outsource this task to the external auditor. The District will continue making all efforts to reduce the number of audit adjustments required at year end.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
May 16, 2016

## 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, 2015, and have issued our report thereon dated May 16, 2016.

### Auditor's 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 Auditor's 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 Accountant's Report(s) on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General Disclosures in this report, which is dated May 16, 2016, 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. In connection with our audit and disclosed in preceding years, we have identified one repeat item identified as IC2007-01 as noted in the Internal Control Financial Reporting 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**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report 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 identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

## **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

## **Other Matters**

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 have any such findings.

## **Purpose of this Letter**

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
May 16, 2016

## INDEPENDENT ACCOUNTANT'S 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, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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, 2015.

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
May 16, 2016