

DESTIN FIRE CONTROL DISTRICT
Special meeting of the Board of Fire Commissioners
Main Station
848 Airport Road
Destin, Florida 32541

July 27, 2016

Minutes

Commissioners present: Tommy Green, Rick Moore, Jack Wilson, Bob Wagner, and Mike Buckingham

Staff present: Chief Kevin Sasser, Division Chief Kathryn Wagner, and Allison Henderson

Present: Dawn Stuntz

The meeting was called to order at 5:30 p.m. by Chairman Tommy Green.

Public Comments:

John Harvey of 4327 Preserve Place, Destin asked the amount of the unfunded pension liability. Tommy Green stated Bruce Nunnally would be able to answer that during his presentation.

Tommy Green stated we would wait for the presentation this was actually a comment period not a question and answer period.

Deborah Thurmon asked if she should wait and ask her questions at the end. Tommy Green stated those questions might be answered by the presentation.

Deborah Thurmon asked if she still had questions could she ask them. Tommy Green stated she could ask Bruce Nunnally after the meeting.

Deborah Thurmon asked if she could ask questions in here. Tommy Green stated she could ask in here after the meeting, but Bruce Nunnally would be happy to answer questions.

Deborah Thurmon asked if she could ask questions during the meeting. Bruce Nunnally stated sure.

Presentation of 9/30/2015 Audit by Bruce Nunnally of CRI:

Bruce Nunnally of CRI presented the 9/30/2015 audit. He stated there was a big change in this year's statement and would like to explain them. The unmodified opinion needed by the State was listed on page 1 & 2. He stated what was considered balance sheets were presented on page 9 & 10 with all liabilities and all assets listed while on pages 11- 13. He stated this was a more traditional governmental presentation that would be used on a monthly basis rather than giving 2 statements in 2 different formats. He directed the Board back to page 9, the statement of net position where the biggest required change was listed the net pension liability of \$9,331,980. He stated it was an actuarial computed number and that number represents the difference between the gross pension liability and the assets already put into the pension plan. He stated 2 other numbers regarding pension were total deferred outflows of resources- pension of \$1,048,720 and total deferred inflows of resources- pension of \$1,311,204 were items to be brought in about 5

years and was the method GASB used to try to smooth it. He stated listed at the bottom was the total net position of \$(1,473,014) when last year was roughly \$7,000,000 to the positive. He stated this does not mean the District had a horrible year but reflected the new pension standard required.

Bruce Nunnally stated page 10 listed the change in net position of \$701,158. Page 11 listed total assets of \$5,497,410 which were confirmed and tested along with the receivables of \$168,368, prepaid expenditures of \$115,593, and liabilities. Page 13 listed revenues that were tested and confirmed along with expenditures which were 86% labor driven. He stated a lot of numbers were tested and had no significant issues with them.

Bruce Nunnally stated page 16 listed the net position restricted for pensions as \$13,954,549 that is the actual amount in the pension, however on page 29 the Plan Fiduciary Net Position was listed as \$13,924,319 that was a number calculated by the actuary and standards required that be used in the footnotes. He further stated they tested the information given to the actuary to make sure they come up with the right numbers and then review the credentials of the actuary because information put into these footnotes comes from the Foster and Foster actuarial report. He stated the net pension liability is discounted by 8% because it is paid over time, however you can see how large a difference there is if they are off by 1%, so this number is an estimate at best.

Bruce Nunnally stated the Board has the right to ask why the audit was being done now and not back in February and it was because our office advised Kathryn Wagner and Chief Sasser to wait and see if negotiations would be settled quickly so the newer numbers could be given to the actuary. He stated looking back it might have been a better idea to have gone ahead and wrap this up then since negotiations are still ongoing; the information given by Foster and Foster are based on the existing contract and not anything new.

Bruce Nunnally stated page 37 listed the actual results compared to the budgeted amounts; the numbers in the actual amount are the same numbers on page 13. He stated pages 39 and 40 were additional pension reports required, which just give more detail and page 44 was a separate report since the District is a governmental entity in the State of Florida.

Bob Wagner asked if the unfunded pension liability was 59%. Bruce Nunnally stated 59% was the funded piece of the pension. He compared having 100% of the pension funded to paying off your mortgage, not a lot of people have done that. He further stated the District had increased that percentage most every year, this year was flat due to the down market, but the trend over the last 5 or 6 years was favorable partly due to funded and partly due to amendments made to the plan.

Jack Wilson thanked Bruce Nunnally for coming back. He stated the District went through the competitive bid process and while CRI was not the lowest the continuity between staffs would save us. He stated his appreciation for Bruce Nunnally and his staff's flexibility throughout this year.

Jack Wilson stated Bruce Nunnally may have glossed over the unmodified opinion together with the auditor's order of compliance was pretty much the gold standard for CFOs which compliments Kathryn Wagner and Chief Sasser.

Bruce Nunnally stated he was required to report to the Board if their staff was cooperative or if there were any problems. He stated Kathryn Wagner does a good job and could tell what was given to them were not estimates as she prepared spreadsheets on exactly how she arrived at a balance.

Jack Wilson asked, as a public company, what does the Board needs to know that they don't know. Bruce Nunnally stated he did not really have anything, but from a strict auditor internal control standpoint everything funnels through Kathryn Wagner and some schools of thought would say that is too much on one person. He stated this is a relatively small organization where the Chief Sasser is highly involved and the Board is involved in looking at monthly statements and asking questions so the control is in the daily work by Chief Sasser and monthly by the Board that is considered a sufficient control system. He stated in a perfect world the District would have 3 or 4 people in the accounting staff cross checking, cross training each other. He further stated that does not make sense in this environment, just like it does not in North Bay or Ocean City which are also his clients.

Jack Wilson stated part of cutting expenses over the last couple of years meant cutting administrative staff and collapsing responsibilities. Jack Wilson asked if Bruce Nunnally would be concerned about continuity. Bruce Nunnally stated there was a situation where the financial person had left and Chief Sasser was in a bit of a panic; his main concern was getting people paid and CRI did help bring someone in, fortunately the District does use a common software system, and got payroll done so there was a plan in place that worked pretty well.

Deborah Thurmon of Destin....

Bob Wagner asked Deborah Thurmon to state her address. Deborah Thurmon stated she would not for identity theft reasons, taxpayers have been harassed.

Deborah Thurmon stated as a taxpayer we hear the District is broke but there is over \$5,000,000 in reserves which is more than a years' worth of operating expenses, when normally there would be 3 months. Bruce Nunnally stated he would give his view although it was a District question. He stated almost \$1,000,000 is in the non-spendable or restricted fund so it cannot be used for normal operations and the District made a policy several years ago to set aside funds for the replenishment of capital assets, which are those are the kinds of things that cannot be paid for out of a normal operating budget. He stated the assigned amounts are committed, the amount that is unassigned is \$1,330,003. He stated the District receives the majority of their funds over a 3 or 4 month period which requires extra reserves for those months where revenue slows.

Kathryn Wagner stated the assigned funds for capital assets actually hold the lowest balance in case an emergency comes through; the policy recommends a 3 month reserve for the unassigned funds which would be \$1,500,000.

Jack Wilson stated the result of that policy was the purchase of the new engine; we bought it when we needed it; equipped it the way we wanted to protect the public and our firefighters and we did not have to check the general checking account to see if we could pay for it because it was set aside as we consumed the old assets.

Deborah Thurmon asked since there is not a five year plan for asset purchase we cannot see what the assigned fund is for, correct. Tommy Green stated we are working on a new five year plan along with John Harvey.

Jack Wilson stated discussion occurs each year as to how much should go into the asset fund; the replacement cost or the depreciation schedule of the asset and our asset fund is actually low. He stated it is done on a documented absorption of the original cost basis of the asset and if we do something over five years it is unlikely it will cost the same amount of money; it is a very conservative way of doing it but better than not doing it at all, but we could not afford full placement cost. He stated the asset fund is underfunded.

Deborah Thurmon asked if there were plans to take any monies to pay down the pension liability. Jack Wilson asked out of the asset fund. Deborah Thurmon stated out of any of the funds. Jack Wilson asked which fund, the \$1,300,000 unassigned funds not to his knowledge.

Jack Wilson made a motion to approve the 9/20/2015 audit. Rick Moore seconded. The motion passed unanimously.

Adjournment:

With no additional business to be discussed, the meeting adjourned at 6:09p.m.