

SOUTH WALTON FIRE DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2016

**SOUTH WALTON FIRE DISTRICT
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SEPTEMBER 30, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Fire Commissioners
South Walton Fire District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Walton Fire District (the District) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 South Walton Fire District, as of September 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Pension and Other Post Employment Benefit Schedules 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 9, 2017 on our consideration of the South Walton Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Walton Fire District's internal control over financial reporting and compliance.

Warren Averett, LLC

Destin, Florida
January 9, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of South Walton Fire District we offer readers of South Walton Fire District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended September 30, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of South Walton Fire District exceeded its liabilities and deferred inflows of resources by \$16.10 million (net position), which represents an increase of \$4.10 million (or 34.21%) over the prior year. Of this amount, \$8.86 million represents investments in capital assets (e.g. land, building, machinery, and equipment), \$2.03 million represents impact fees restricted by Florida statutes for items needed as a result of the expansion of District activities, and \$5.21 million is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- South Walton Fire District's governmental funds reported ending fund balances of \$8.03 million, an increase of \$1.43 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2.06 million or 14.03% of the total General Fund expenditures, which is available for spending at the District's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis intends to serve as an introduction to South Walton Fire District's basic financial statements. South Walton Fire District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of South Walton Fire District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of South Walton Fire District's assets, deferred outflows, liabilities, and deferred inflows of resources, with the difference reported as net position. This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of South Walton Fire District.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

The government-wide financial statements distinguish and demonstrate that, as a governmental activity, South Walton Fire District is principally supported by property tax, intergovernmental, and service revenues. The governmental activities of South Walton Fire District include public safety (fire and emergency medical services) and debt service. The government-wide financial statements are found on pages 11-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. South Walton Fire District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of South Walton Fire District can be divided into two categories: governmental funds and fiduciary funds.

FUNDS

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Such information may be useful in evaluating a government's near-term financial requirements. The basic governmental fund financial statements are found on pages 13-16 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

South Walton Fire District maintains one governmental fund (General Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered a major fund.

South Walton Fire District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with this budget.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District has one fiduciary fund (Pension Trust Fund). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support South Walton Fire District's own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statement presentation (private-sector business). The basic fiduciary fund financial statements are found on pages 18-19 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 20 of this report are the notes to the financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning South Walton Fire District's progress in funding its obligation to provide pension and other post-employment benefits to its employees. This required supplementary information is found on pages 41-46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of South Walton Fire District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16.10 million (net position) as of September 30, 2016 as reported in Table 1.

The largest portion of South Walton Fire District's net position, \$8.86 million, or 55.04%, reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding.

South Walton Fire District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although South Walton Fire District reports investment in its capital assets net of any related debt, it should be noted that the resources needed to repay that debt must be provided from other sources, since capital assets themselves cannot be used to liquidate such liabilities. The South Walton Fire District had no such debt as of September 30, 2016.

Table 1
SOUTH WALTON FIRE DISTRICT
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2016 AND 2015
(In Thousands of Dollars, Rounded)

	Governmental Activities	
	2016	2015
Current, restricted, and other assets	\$ 12,012	\$ 10,285
Capital assets	8,859	7,903
Total assets	20,871	18,188
Deferred outflows of resources	3,764	3,303
Long-term liabilities outstanding	3,319	3,073
Other liabilities	507	440
Total liabilities	3,826	3,513
Deferred inflows of resources	4,712	5,984
Net investment in capital assets	8,859	7,903
Restricted	2,027	1,233
Unrestricted	5,211	2,858
Total net position	\$ 16,097	\$ 11,994

Deferred outflows and deferred inflows of resources are related to pensions as a result of implementing GASB Statement No. 68. The effects of implementation in the current and prior period are more fully explained in Note 6 to the financial statements.

The balance of unrestricted net position of \$5.21 million may be used to meet the District's ongoing obligations to citizens and creditors.

GOVERNMENTAL ACTIVITIES

Governmental activities increased South Walton Fire District's net position by \$4.10 million, as reported in Table 2. The primary factor of this increase can be attributable towards the increase in property taxes during the year ending September 30, 2016 as compared to the prior year. This was the result of an increase in the total property tax base in Walton County in fiscal year 2016.

Table 2
SOUTH WALTON FIRE DISTRICT
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Thousands of Dollars, Rounded)

	Governmental Activities	
	2016	2015
REVENUES		
Program revenues		
Charges for services	\$ 3,450	\$ 2,990
Operating grants and contributions	1,605	1,469
General revenues		
Property taxes	11,735	10,415
Other taxes	25	24
Other revenue	114	430
Total revenues	<u>16,929</u>	<u>15,328</u>
EXPENSES		
Primary Government		
Public safety	<u>12,826</u>	<u>14,120</u>
Total expenses	<u>12,826</u>	<u>14,120</u>
INCREASE IN NET POSITION	4,103	1,208
NET POSITION AT BEGINNING OF YEAR	<u>11,994</u>	<u>10,786</u>
NET POSITION AT END OF YEAR	<u><u>\$ 16,097</u></u>	<u><u>\$ 11,994</u></u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, South Walton Fire District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of South Walton Fire District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing South Walton Fire District's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, revenues and expenditures were favorable compared to budgetary estimates. The most notable favorable variances occurred in the following areas:

- Ad valorem revenue exceeded the budgeted amount as a result of a higher collections rate.
- Impact fees imposed on development within the District exceeded projections as a result of a significant increase in development in South Walton County.
- Charges for EMS ambulance services exceeded budget as a result of an increase in transports due to the increase in population and visitors in the County.
- Overall expenditures were below the amounts budgeted due to the intentional postponement of capital expenditures, the implementation of sick time policies in the new labor contract and other lower than anticipated expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

South Walton Fire District's capital assets for its governmental activities as of September 30, 2016, totaled \$8.86 million (net of accumulated depreciation). Capital assets include land, buildings, improvements, machinery and equipment, etc. The additions to South Walton Fire District's capital assets for the current fiscal year were \$1,465,615, deletions were \$60,225, and the net increase in accumulated depreciation, after recognizing \$510,064 of depreciation in the current year, totaled \$449,839.

Table 3
SOUTH WALTON FIRE DISTRICT
CAPITAL ASSETS
(Net of Depreciation)
AS OF SEPTEMBER 30, 2016 AND 2015

	Governmental Activities	
	2016	2015
Land	\$ 310,754	\$ 310,754
Buildings	4,286,199	4,088,120
Improvements other than buildings	92,924	86,896
Furniture and equipment	532,931	453,502
Trucks and automobiles	1,753,170	1,953,545
Construction in progress	1,883,034	1,010,644
Total	\$ 8,859,012	\$ 7,903,461

Additional information on the capital assets of South Walton Fire District can be found in Note 5 of this report.

Long-Term Liabilities

At the end of the current fiscal year, South Walton Fire District had total long-term liabilities outstanding of \$3.32 million, which was comprised of compensated absences and other postemployment benefits. It should be noted that \$522,635 of the District's governmental fund balance has been committed for compensated absences with the remainder being committed for future capital outlay. South Walton Fire District had no debt as of September 30, 2016.

Table 4
SOUTH WALTON FIRE DISTRICT
LONG-TERM LIABILITIES OUTSTANDING
AS OF SEPTEMBER 30, 2016 AND 2015

	Governmental Activities	
	2016	2015
Compensated absences	\$ 1,474,359	\$ 1,407,580
Other postemployment benefits	1,844,192	1,665,680
Total	\$ 3,318,551	\$ 3,073,260

South Walton Fire District's long-term liabilities increased by \$245,291 during the 2016 fiscal year, which is attributable to the net increase in both the compensated absences and the other postemployment benefit obligation.

Additional information on South Walton Fire District's long-term liabilities can be found in Notes 7 and 10 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline, and corporate income taxes. Local governments such as South Walton Fire District primarily rely upon property taxes and a limited array of permitted other sources (such as impact fees and user fees) for their governmental activities. There are a limited number of state shared revenues and recurring and non-recurring grants from both the State and Federal government, which provide funding for specific programs, projects, or activities.

The primary source of revenue for South Walton Fire District is property tax which was implemented in 1997 with an ad valorem millage rate of .83. That rate was unchanged until fiscal year 2007 when it was lowered to .80, and lowered again for fiscal year 2008 to .70. The District was able to lower the rate at that time due to rapid growth in South Walton Fire District's jurisdiction. The District's millage rate for the current fiscal year and preceding four fiscal years was as follows:

Fiscal year ended	Ad Valorem Millage
September 30,	Rate
2016	.9799
2015	.9799
2014	.9799
2013	.9799
2012	.8999

Current trends and forecasts indicate South Walton Fire District will continue to see an increase in growth with higher demands for service. In addition, the State's improving economic conditions are expected to result in an upward reassessment of property values within the District in the near future. Property values for the fiscal year 2017 ad valorem tax base (based on the calendar year 2016 valuation) are estimated to increase by approximately 12%. The South Walton Fire District elected to keep its millage rate for fiscal year 2017 at .9799.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of South Walton Fire District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Fiscal Officer, 911 N County Highway 393, Santa Rosa Beach, FL 32459. The District's website address is www.swfd.org. Inquiries may also be sent via email to the fiscal agent at cmartin@swfd.org.

**SOUTH WALTON FIRE DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	<u>Primary Government</u>
ASSETS	
Cash and cash equivalents	\$ 2,171,941
Investments, at market	4,202,069
Receivables	523,423
Due from other governments	111,248
Restricted assets	
Cash and cash equivalents	2,026,970
Capital assets	
Non-depreciable	2,193,788
Depreciable, net	6,665,224
Net pension asset	<u>2,975,736</u>
TOTAL ASSETS	<u>20,870,399</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,764,362</u>
LIABILITIES	
Accounts payable	108,774
Accrued liabilities	398,540
Non-current liabilities	
Due in more than one year	
Compensated absences	1,474,359
Other postemployment benefits	<u>1,844,192</u>
TOTAL LIABILITIES	<u>3,825,865</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,712,339</u>
NET POSITION	
Net investment in capital assets	8,859,012
Restricted for impact fees	2,026,970
Unrestricted	<u>5,210,575</u>
TOTAL NET POSITION	<u><u>\$ 16,096,557</u></u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Government Activities					
Public safety	\$ 12,826,239	\$ 3,449,929	\$ 1,604,642	\$ -	\$ (7,771,668)
Total primary government	<u>\$ 12,826,239</u>	<u>\$ 3,449,929</u>	<u>\$ 1,604,642</u>	<u>\$ -</u>	<u>\$ (7,771,668)</u>
General Revenues					
Taxes					
Property taxes					\$ 11,735,452
State revenue sharing					24,720
Investment earnings					39,838
Sale of capital assets					13,276
Miscellaneous					<u>60,544</u>
Total general revenues					<u>11,873,830</u>
CHANGE IN NET POSITION					4,102,162
NET POSITION AT BEGINNING OF YEAR					<u>11,994,395</u>
NET POSITION AT END OF YEAR					<u>\$ 16,096,557</u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GOVERNMENTAL FUND
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2016**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 2,171,941
Investments, at market	4,202,069
Receivables	21,740
Due from other governments	111,248
Restricted assets	
Cash and cash equivalents	2,026,970
TOTAL ASSETS	\$ 8,533,968
LIABILITIES	
Accounts payable	\$ 108,774
Accrued liabilities	398,540
Total liabilities	507,314
FUND BALANCE	
Nonspendable	-
Restricted	2,026,970
Committed	1,779,597
Assigned	2,164,822
Unassigned	2,055,265
Total fund balance	8,026,654
TOTAL LIABILITIES AND FUND BALANCE	\$ 8,533,968

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GOVERNMENTAL FUND
GENERAL FUND
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Fund balance – total governmental funds (page 13)		\$ 8,026,654
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental non-depreciable assets	\$ 2,193,788	
Governmental depreciable assets	15,166,305	
Less accumulated depreciation	<u>(8,501,081)</u>	
		8,859,012

EMS receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the governmental fund.

EMS receivable		501,683
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Other assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

Net pension asset		2,975,736
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Deferred inflows of resources and deferred outflows of resources related to pensions are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.

Deferred outflows of resources – pensions	3,764,362	
Deferred inflows of resources – pensions	<u>(4,712,339)</u>	
		(947,977)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Compensated absences	(1,474,359)	
Other postemployment benefits	<u>(1,844,192)</u>	
		<u>(3,318,551)</u>

Net position of governmental activities (page 11)		<u><u>\$ 16,096,557</u></u>
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See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GOVERNMENTAL FUND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

REVENUES	
Taxes	\$ 11,735,452
Intergovernmental	1,629,362
Impact fees	1,055,863
Charges for services	1,539,721
Investment earnings	39,838
Miscellaneous	60,544
Total revenues	<u>16,060,780</u>
EXPENDITURES	
Current	
Public safety	13,178,702
Capital outlay	1,465,615
Total expenditures	<u>14,644,317</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,416,463</u>
OTHER FINANCING SOURCES	
Sale of capital assets	13,276
NET CHANGE IN FUND BALANCE	1,429,739
FUND BALANCE AT BEGINNING OF YEAR	<u>6,596,915</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 8,026,654</u></u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GOVERNMENTAL FUND
GENERAL FUND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balance – governmental funds (page 15) \$ 1,429,739

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated over the estimated useful lives of the assets.

Expenditures for capital assets	\$ 1,465,615	
Less current year depreciation	<u>(510,064)</u>	
		955,551

Because some EMS revenues will not be collected for several months after the district's fiscal year ends, they are not considered available revenues and are not recorded in the governmental fund. 854,345

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in net pension asset and related deferrals	1,867,140	
Change in other postemployment benefits	(178,512)	
Change in long-term compensated absences	(66,779)	
Bad debt expense related to EMS receivables	<u>(759,322)</u>	
		<u>862,527</u>

Change in net position of governmental activities (page 12) \$ 4,102,162

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GOVERNMENTAL FUND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget – Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Taxes	\$ 11,521,582	\$ 11,521,582	\$ 11,735,452	\$ 213,870
Intergovernmental	1,635,796	1,635,796	1,629,362	(6,434)
Impact fees	550,000	550,000	1,055,863	505,863
Charges for services	1,269,937	1,269,937	1,539,721	269,784
Investment earnings	-	-	39,838	39,838
Miscellaneous	46,970	46,970	60,544	13,574
Total revenues	<u>15,024,285</u>	<u>15,024,285</u>	<u>16,060,780</u>	<u>1,036,495</u>
EXPENDITURES				
Current				
Public safety	14,525,884	14,525,884	13,178,702	1,347,182
Capital outlay	1,734,901	1,734,901	1,465,615	269,286
Total expenditures	<u>16,260,785</u>	<u>16,260,785</u>	<u>14,644,317</u>	<u>1,616,468</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,236,500)</u>	<u>(1,236,500)</u>	<u>1,416,463</u>	<u>2,652,963</u>
OTHER FINANCING SOURCES				
Sale of capital assets	20,000	20,000	13,276	(6,724)
NET CHANGE IN FUND BALANCE	<u>(1,216,500)</u>	<u>(1,216,500)</u>	<u>1,429,739</u>	<u>2,646,239</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>1,216,500</u>	<u>1,216,500</u>	<u>6,596,915</u>	<u>5,380,415</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,026,654</u>	<u>\$ 8,026,654</u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
FIDUCIARY FUND
PENSION TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016**

	<u>Employee Pension Fund</u>
ASSETS	
Cash and cash equivalents	\$ 701,624
Investments, at market	38,600,399
Due from State of Florida	<u>93</u>
TOTAL ASSETS	<u><u>\$ 39,302,116</u></u>
LIABILITIES AND FIDUCIARY NET POSITION	
Liabilities	
Administrative expenses payable	\$ 24,918
Excess employer contributions	<u>89,870</u>
Total liabilities	<u>114,788</u>
Fiduciary net position	
Held in trust for pension and employee retirement benefits	<u>39,187,328</u>
TOTAL LIABILITIES AND FIDUCIARY NET POSITION	<u><u>\$ 39,302,116</u></u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
 FIDUCIARY FUND
 PENSION TRUST FUND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Employee Pension Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 1,062,098
Plan members	421,011
State of Florida	<u>679,694</u>
Total contributions	<u>2,162,803</u>
Gain on investment	3,790,540
Less investment expense	<u>(117,925)</u>
Net gain on investment	<u>3,672,615</u>
Total additions	<u>5,835,418</u>
DEDUCTIONS	
Administrative expenses	65,841
Distributions to retirees	219,417
Distributions to terminated employees	<u>47,223</u>
Total deductions	<u>332,481</u>
CHANGE IN FIDUCIARY NET POSITION	5,502,937
FIDUCIARY NET POSITION AT BEGINNING OF YEAR	<u>33,684,391</u>
FIDUCIARY NET POSITION AT END OF YEAR	<u><u>\$ 39,187,328</u></u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT

Description of District

South Walton Fire District (the District) is an unincorporated district created by Ordinance 83-6 of the Walton County Board of County Commissioners on August 9, 1983. The District's boundaries generally include all the land, excluding any Federal land or land within a municipality, in that area of Walton County, south of the Intracoastal Waterway canal and Choctawhatchee Bay, west of the Walton-Bay County line and east of the Walton-Okaloosa County line.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Section 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The District's purpose is to protect lives, property, and natural resources through fire suppression, fire inspection, rescue and emergency medical response.

The Reporting Entity

The District is governed by a seven (7) member commission, one elected at-large and six (6) from three specifically described geographic areas (two each) for four-year terms. The powers of this commission are regulated by ordinances and resolutions of the District, Walton County, and the Statutes of the State of Florida.

As required by accounting principles generally accepted in the United States of America, these financial statements present South Walton Fire District as the primary government. In evaluating the District as a reporting entity, management has considered all potential component units for which the District may or may not be financially accountable and, as such, be included within the District's financial statements. Management utilized criteria set forth in GASB No. 61 for determining financial accountability of potential component units in evaluating all potential component units.

In accordance with GASB No. 61, the District (primary government) is financially accountable if a financial benefit or burden relationship exists between the potential component unit and the District. As of September 30, 2016, South Walton Fire District had no component units, as defined by GASB 61.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (the District has no business-type activities to report on the government-wide financial statements), which rely, to a significant extent, on fees and charges for support.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT –
CONTINUED**

Government-Wide and Fund Financial Statements – Continued

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

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements.

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Intergovernmental revenues collected and held by other governments at year-end on behalf of the District, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Walton County Tax Collector bills and collects property taxes for the District in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharged by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT –
CONTINUED**

Measurement Focus and Basis of Accounting – Continued

The following is the current property tax calendar:

Lien Date	January 1, 2016
Levy Date	November 1, 2016
Due Date	November 1, 2016
Delinquent Date	April 1, 2017

Discounts of 1% for each month taxes are paid prior to March 2017 are granted.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 30 days of the current period be accrued. No accrual has been made for 2016 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable as of the balance sheet date.

Basis of Presentation

The financial transactions of the District are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes there-in, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

It is the District's policy that a committed fund balance can only be modified or rescinded by a majority vote of the Board of Fire Commissioners via a resolution. An assigned fund balance can be authorized for a specific purpose by the Board of Fire Commissioners. When committed, assigned, and unassigned resources are available for use, it is the government's policy to use committed resources first, then assigned, and then unassigned resources, as they are needed.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT –
CONTINUED**

Basis of Presentation – Continued

The following two broad classifications are used to categorize the fund types used by the District:

Governmental

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) and not net income. The District has the following major governmental fund.

General Fund – This is the District's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary

Fiduciary funds are used to account for the assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. The District has one type of fiduciary fund.

Pension Trust Fund – Used to report the resources that are required to be held in trust for the members and beneficiaries of the defined benefit pension plan administered by the Firefighters' Pension Fund Board of Trustees.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Cash and Cash Equivalents

Each fund's cash on hand, demand deposits, and short-term investments are considered cash and cash equivalents. For purposes of these statements, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Deposits and Investments

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government, collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, debt securities of the Federal Farm Credit Banks, the Federal Home Loan Mortgages Corporation, the Federal Home Loan Bank, the Government National Mortgage Association, the Federal National Mortgage Association, and securities of or other interest in certain investment companies or investment trusts, the portfolio of which is limited to United States Government obligations or repurchase agreements fully collateralized by such obligations. The District adheres strictly to the provisions of those cited Statutes, as well as with Chapter 280, Florida Statutes, which requires the District to maintain deposits only with "Qualified Public Depositories." The District maintains cash and investments, which are stated at fair value.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT –
CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity –
Continued**

Deposits and Investments – Continued

Pension trust funds may invest in annuity and life insurance contracts with life insurance companies, collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government, bonds issued by the State of Israel, stocks, commingled funds administered by national or state banks, mutual funds or other evidences of indebtedness, provided that (a) all individually held securities in a commingled mutual fund must be issued or guaranteed by a corporation organized under the laws of the United States or its territories and in the case of bonds shall hold a rating in one of the three highest classifications by a rating service; (b) up to ten percent (10%) of the assets may be invested in foreign securities; (c) the Board shall not invest more than five percent (5%) of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding capital stock of that company; nor shall the aggregate of its investments in common stock, capital stock and convertible securities at cost exceed sixty percent (60%) of the assets of the fund. During the year, the District maintained cash and investments in accordance with retirement fund plan documents. Investments are stated at fair value.

Receivables

District management places all trade accounts (Emergency Medical Service billings) receivable greater than 120 days outstanding into a "Pending Collections" status and turns them over to a contracted collection agency. Upon verification of receipt and information by the collection agency, the District writes off the aged accounts, thereby removing them from the trade accounts receivable. In the event that payment is subsequently collected by the collection agency, the District recognizes bad debt recovery income. Accordingly, the District has not allowed for any uncollectible trade accounts as of September 30, 2016.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities columns in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial cost more than the following:

Land	All
Buildings	\$10,000
Improvements other than buildings	\$10,000
Vehicles	\$ 5,000
Equipment and furnishings	\$ 1,500

Assets are recorded at cost if purchased or constructed while donated capital assets are recorded at estimated fair market value at the date of donation.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – Continued

Capital Assets – Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	5-40 Years
Improvements other than buildings	10-40 Years
Vehicles	3-15 Years
Equipment and furnishings	5-40 Years

Compensated Absences

Paid time off that is used and paid for with expendable available financial resources are reported as an expenditure. The current portion of paid time off (i.e., termination payments for unused leave, due for payment) is recorded as an expenditure and a liability in the General Fund, while the remainder is recorded as a liability in the government-wide financial statements. At September 30, 2016, the District's compensated absences liability is all long-term.

On September 28, 2015, the District ratified the 2015 through 2018 union contract (South Walton Professional Fire Fighters Association, IAFF Local 3516), which established the following policy for accruing paid time off for full-time 24-hour shift members and regular full-time communications members.

Regular Full-Time 24-Hour Shift Members:

Years of Service	Accrual Rate	Annual Accrual
Date of Hire	11.04 hours per pay period	287.00 hours
5th Anniversary	12.22 hours per pay period	317.68 hours
9th Anniversary	13.39 hours per pay period	348.10 hours
13th Anniversary	14.58 hours per pay period	379.04 hours
17th Anniversary	15.76 hours per pay period	409.72 hours

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT –
CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity –
Continued**

Compensated Absences – Continued

Regular Full-Time Communications Members:

<u>Years of Employment</u>	<u>Accrual Rate</u>	<u>Annual Accrual</u>
Date of Hire	8.31 hours per pay period	216.00 hours
5th Anniversary	9.61 hours per pay period	249.96 hours
9th Anniversary	10.89 hours per pay period	283.24 hours
13th Anniversary	12.16 hours per pay period	316.26 hours
17th Anniversary	13.44 hours per pay period	349.54 hours

Non-Union personnel accrue according to the following schedule:

24-Hour staff personnel:

<u>Years of Employment</u>	<u>Accrual Rate</u>	<u>Annual Accrual</u>
Date of Hire	14.08 hours per pay period	366.08 hours
5th Anniversary	15.00 hours per pay period	390.00 hours
10th Anniversary	15.92 hours per pay period	413.92 hours
15th Anniversary	16.85 hours per pay period	438.10 hours

8-Hour staff personnel:

<u>Years of Employment</u>	<u>Accrual Rate</u>	<u>Annual Accrual</u>
Date of Hire	8.77 hours per pay period	228.02 hours
5th Anniversary	9.69 hours per pay period	251.94 hours
10th Anniversary	10.62 hours per pay period	276.12 hours
15th Anniversary	11.54 hours per pay period	300.04 hours

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity – Continued

Compensated Absences – Continued

According to the 2015-2018 Union contract, employees start to accrue paid time off on their first day of employment; however, no paid time off may be scheduled during the first year of employment. Additionally, accumulated paid time off may be carried over from year to year according to the schedule below;

<u>Employment Date</u>	<u>PTO Carry Over Maximum</u>
Prior to October 1, 2000	3,000 hours
Between October 1, 2000 and September 30, 2005	2,500 hours
After October 1, 2005	2,000 hours

Compensatory Time Off

Employees may accrue compensatory time off for overtime hours worked in accordance with the provisions of the Union Contract. Upon retirement, termination, resignation or line of duty death, compensatory time will be paid out up to a maximum of 240 hours. Non-Contract exempt employees may accrue compensatory time off for overtime hours worked. Upon retirement, termination, resignation or line of duty death, compensatory time will be paid out up to a maximum of 244 hours.

Sick Leave

For each full pay period of employment with the District, twenty-four (24) hour shift employees shall accrue sick leave at the rate of 6.46 hours and communications personnel shall accrue sick leave at the rate of 4.85 hours.

The amount of the unpaid accrued leave at September 30, 2016 was \$1,474,359.

Long-Term Obligations

In the government-wide financial statements any long-term debt and other long-term obligations are reported as a governmental activity in the statement of net position.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are restricted by outside parties for a specific purpose. Nonspendable fund balances include amounts that cannot be spent because it is not in spendable form. Restricted fund balances include amounts that are constrained for specific purposes which are externally imposed by providers or constrained due to constitutional provisions or enabling legislation. Committed fund balances represent constraints on use imposed by the District itself using its highest level of decision making authority using a resolution and can only be removed or changed by taking the same action (a resolution). Assigned fund balance is intended to be used for specific purposes and intent is expressed by the Board of Fire Commissioners. Unassigned fund balance is available for any purpose.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT –
CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity –
Continued**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item at September 30, 2016 that qualifies for reporting in this category; deferred charges related to pensions as more fully described in Note 6 to the financial statements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item at September 30, 2016 that qualifies for reporting in this category related to the defined benefit pension plan as more fully described in Note 6 to the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. An appropriated budget is adopted for the General Fund. The Board of Fire Commissioners must approve any revision to the budget. Comparisons are made of actual results to budgeted amounts. Budget data presented in the financial statements includes approved amendments to the original adopted budget. Budgetary data reflected in the financial statements are based on procedures required by Florida Statutes.

Budget workshops are held by the District in which proposed budget information is reviewed and discussed. A newspaper of general circulation in the District advertises the proposed budget. Public hearings are conducted for the purpose of hearing requests and concerns from the public. The final budget is adopted by resolution. Any subsequent amendments must be enacted in the same manner as the original budget, except individual line item transfers, which are approved by the Board of Fire Commissioners. The legal level of budgetary control is at the fund level.

Budget amounts reflected in the financial statements are originally adopted amounts as amended by action of the District Commissioners.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as commitments of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. For the year ended September 30, 2016, the District had no encumbrances.

3. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk, Concentration of Credit Risk and Interest Rate Risk

The District maintains its deposits in one "Qualified Public Depository" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a qualified public institution, 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 District deposits, including any certificates of deposit, are fully insured or collateralized with securities held by the State Treasurer in the District's name. Interest rate risk is mitigated with certificates of deposit with a 181-day or less maturity. The District does not have a formal policy for custodial credit risk, concentration of credit risk or interest rate risk.

Custodial Credit Risk, Concentration of Credit Risk and Interest Rate Risk – Continued

At year-end, the value of the District's deposits was \$4,232,080, all of which was held by a qualified public depository under Chapter 280, Florida Statutes.

Investments

The types of investments that can be made by the District are restricted by state statutes, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1.

As of September 30, 2016, the District has investments with a local financial institution in the General Fund, and retirement funds for the firefighters are held in the Pension Trust fund.

Interest Rate Risk

Interest rate risk is mitigated with mutual bond funds with an average maturity date of approximately 3.5 years or less. The District does not have an interest rate risk policy.

Credit Risk

The District's money market account is with a national firm. Ninety-nine percent of the mutual bond fund investments are rated A or better and the mutual stock funds are invested in large capitalized companies with Morningstar ratings of three or four stars. The District has no credit risk policy.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

4. RECEIVABLES

Receivables at September 30, 2016, were as follows:

	Governmental Activities
Receivables	
EMS receivable	\$ 501,683
Other receivables	21,740
Total Receivables	\$ 523,423
Due From Other Governments	
Due from the State of Florida for firefighter supplemental compensation	\$ 6,180
Due from the County Property Appraiser for excess fees	29,040
Due from the County Tax Collector for excess fees and prior year taxes	76,028
Total Due From Other Governments	\$ 111,248

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 310,754	\$ -	\$ -	\$ 310,754
Construction in progress	1,010,644	797,900	74,490	1,883,034
Total capital assets not being depreciated	<u>1,321,398</u>	<u>797,900</u>	<u>74,490</u>	<u>2,193,788</u>
Capital assets being depreciated				
Buildings	6,496,542	306,596	98,267	6,901,405
Improvements other than buildings	201,991	16,196	-	218,187
Furniture and equipment	2,628,665	254,232	(15,380)	2,867,517
Trucks and automobiles	<u>5,306,107</u>	<u>90,691</u>	<u>(217,602)</u>	<u>5,179,196</u>
Total capital assets being depreciated	<u>14,633,305</u>	<u>667,715</u>	<u>(134,715)</u>	<u>15,166,305</u>
Less accumulated depreciation				
Buildings	(2,408,422)	(206,784)	-	(2,615,206)
Improvements other than buildings	(115,095)	(10,168)	-	(125,263)
Furniture and equipment	(2,175,163)	(174,803)	15,380	(2,334,586)
Trucks and automobiles	<u>(3,352,562)</u>	<u>(118,309)</u>	<u>44,845</u>	<u>(3,426,026)</u>
Total accumulated depreciation	<u>(8,051,242)</u>	<u>(510,064)</u>	<u>60,225</u>	<u>(8,501,081)</u>
Total capital assets being depreciated, net	<u>6,582,063</u>	<u>157,651</u>	<u>(74,490)</u>	<u>6,665,224</u>
Governmental Activities, Net	<u><u>\$ 7,903,461</u></u>	<u><u>\$ 955,551</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,859,012</u></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
Public safety	<u>\$ 510,064</u>
Total Depreciation Expense – Governmental Activities	<u><u>\$ 510,064</u></u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

6. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a) Two District Board appointees,
- b) Two Members of the System elected by a majority of the other covered Firefighters, and
- c) A fifth Member elected by the other 4 and appointed by the District Board.

Each person employed by the Fire Department as a full-time Firefighter becomes a member of the System as a condition of his employment. All Firefighters are therefore eligible for plan benefits as provided for in the plan document and by applicable law.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	8
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	9
Active Plan Members	89
	<hr/>
	<u>106</u>

Benefits Provided

The Plan provides retirement, termination, disability and death benefits as follows:

Normal Retirement:

Eligibility: Earlier of age 55 and the completion of 10 years of Credited Service or the completion of 25 years of Credited Service, regardless of age.

Benefit Amount: Members hired prior to October 1, 2011: 4% of Average Final Compensation times Credited Service.

Additionally, these Members will receive a \$550.00 per month supplemental retirement benefit, payable to the earlier of death or age 65 (Normal Retirement only). Members hired on and after October 1, 2011: 3% of Average Final Compensation times Credited Service.

Early Retirement:

Eligibility: Age 50 and 10 years of Credited Service.

Benefit Amount: Accrued benefit, reduced by 3% per year prior to Normal Retirement Date.

Disability:

Eligibility: a) 10 years of credited service for non-service related; coverage from date of hire for service-incurred. b) Total and permanent disability prior to Normal Retirement Date.

Benefit Amount: Accrued benefit, but not less than 42% of Average Final Compensation for service related disabilities.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

6. DEFINED BENEFIT PENSION PLAN – CONTINUED

General Information about the Pension Plan – *Continued*

Benefits Provided – Continued

Death:

Less than 10 years of Credited Service: Refund of Member Contributions.

10 years or more: Beneficiary is entitled to either: 1) the benefits otherwise payable to the firefighter at his early or normal retirement date, payable for 10 years, or 2) a refund of Member Contributions.

Vesting (Termination):

Less than 10 years of Credited Service: Refund of Member Contributions.

10 years or more: Accrued benefit payable at age 50 or later, on reduced basis if to commence prior to Normal Retirement Date, or a refund of Member Contributions.

Contributions

Employee: Members hired prior to October 1, 2011: 7.0% of base pay (8.0% from 10/7/2012 to 9/30/2013).

Members hired on and after October 1, 2011: 3.5% of base pay (4.5% from 10/7/2012 to 9/30/2013).

Premium Tax: 1.85% tax on premiums for fire insurance policies.

District: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability as provided in Part VII of Chapter 112, Florida Statutes.

Net Pension Liability (Asset)

The measurement date is September 30, 2016.

The measurement period for the pension expense was October 1, 2015 to September 30, 2016.

The reporting period is October 1, 2016 through September 30, 2017.

The District's Net Pension Liability (Asset) was measured as of September 30, 2016.

The total Pension Liability used to calculate the Net Pension Liability (Asset) was determined as of that date.

Actuarial Assumptions

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	8.00%
Investment Rate of Return	8.00%

Mortality Rate Healthy Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 10% Annuitant White Collar/ 90% Annuitant Blue Collar, Scale BB.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

6. DEFINED BENEFIT PENSION PLAN – CONTINUED

Net Pension Liability (Asset) – Continued

Actuarial Assumptions – Continued:

Mortality Rate Disabled Lives – Continued:

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

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, Net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2016 the inflation rate assumption of the investment advisor was 2.50%.

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	45%	7.50%
International Equity	15%	8.50%
Broad Market Fixed Income	25%	2.50%
Global Fixed Income	5%	3.50%
Real Estate	10%	4.50%
Total	100%	

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 8.00 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 District 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.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

6. DEFINED BENEFIT PENSION PLAN – CONTINUED

Changes in the District's net pension liability (asset) for the year ended September 30, 2016, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2015	\$ 30,843,211	\$ 33,684,391	\$ (2,841,180)
Changes:			
Service cost	1,513,160	-	1,513,160
Interest	2,533,992	-	2,533,992
Change in excess state money	452,635	-	452,635
Share plan allocation	422,953	-	422,953
Difference between expected and actual experience	712,281	-	712,281
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions – employer	-	1,062,098	(1,062,098)
Contributions – state	-	679,694	(679,694)
Contributions – employee	-	421,011	(421,011)
Net investment income	-	3,672,615	(3,672,615)
Benefit payments, including			
Refunds of employee contributions	(266,640)	(266,640)	-
Administrative expenses	-	(65,841)	65,841
Net changes	<u>5,368,381</u>	<u>5,502,937</u>	<u>(134,556)</u>
Balances at September 30, 2016	<u>\$ 36,211,592</u>	<u>\$ 39,187,328</u>	<u>\$ (2,975,736)</u>

The sensitivity of the Net Pension Liability (Asset) to changes in the discount rate are as follows:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
	Sponsor's Net Pension Liability (Asset)	\$ 1,378,632	\$ (2,975,736)

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

6. DEFINED BENEFIT PENSION PLAN – CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, 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
Amortization	\$ 481,559	\$ 188,491
Net difference between Projected and Actual Earnings on Pension Plan investments	<u>3,282,803</u>	<u>4,523,848</u>
Total	<u><u>\$ 3,764,362</u></u>	<u><u>\$ 4,712,339</u></u>

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year ended September 30:

2017	\$ (314,744)
2018	(314,744)
2019	(126,252)
2020	(192,237)

7. OTHER POSTEMPLOYMENT BENEFITS

South Walton Fire District offers health, dental, life, and vision benefits to retirees as a matter of State law. These benefits are provided by various insurance companies and are the same benefits that are provided to active employees. The premiums charged to the District are blended.

Plan Contributions, Funding Policy and Annual OPEB Cost

Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In the future years, contributions are assumed to increase at the same rate as premiums. The projected employee contributions for the health, dental, life, and vision benefits are assumed to cover the entire cost of these programs. The plan does not issue a stand-alone financial report. The authority to establish and amend benefit provisions is assigned to the Board of Fire Commissioners.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

7. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

The District's annual other postemployment benefits (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of 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:

Annual required contribution	\$ 201,100
Interest on net OPEB obligation	66,627
Adjustment to annual required contribution	(72,969)
Annual OPEB cost (expense)	194,758
Estimated contributions made	(16,246)
Anticipated increase in net OPEB obligation	178,512
Net OPEB obligation – beginning of year	1,665,680
Estimated net OPEB obligation – end of year	\$ 1,844,192

The amounts above are based on the most recent actuarial valuation report dated October 1, 2015.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net obligation for 2016 and the prior two years are as follows:

Year Ending September 30,	Annual OPEB Cost	Percentage Contribution	Net OPEB Obligation
2016	\$ 194,758	8.3%	\$ 1,844,192
2015	\$ 187,120	4.2%	\$ 1,665,680
2014	\$ 176,701	4.2%	\$ 1,486,390

There is no funding for these benefits as they are on a "pay as you go" basis. In the actuarial valuation dated October 1, 2015, the Entry Age Normal (level % of pay) actuarial cost method was used. Select actuarial assumptions are as follows: Interest Rate of 4%; Health Care Inflation: Pre-Medicare 6.5% in 2015 (decreasing 1% each year until the ultimate rate of 4.5% in 2017), Post-Medicare 6.5% in 2015 (decreasing 1% each year until the ultimate rate of 4.5% in 2017), and Vision Care Inflation of 3%; Payroll Growth/Inflation Assumption 3%; Salary Scale Assumption of 5%, and Amortization of UAAL: Level Percentage of Payroll (Closed Amortization over 30 Years).

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

8. SUPPLEMENTAL RETIREMENT PLANS

The District offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is a tax-deferred supplemental retirement program that allows District employees to contribute a portion of their salary before federal income taxes to a retirement account. The assets are held in trust for the employee's benefit. The plan participants, individually, select and make changes in funding options made available by the independent plan administrator. Since plan participants select the investment fund or funds in which their deferred compensation accounts are invested, the District has no liability for investment losses. The District's fiduciary responsibility is to administer the plan properly and to assure the investment alternatives made available are reasonable. For non-high risk employees hired before October 2, 2006, the District contributes 10% of their base wage to the Deferred Compensation Plan. These accounts are fully vested.

For non-high risk employees hired after October 2, 2006, the District offers a 401(A) Plan, a Governmental Money Purchase Plan, with the same independent plan administrator, also with participant selected investments. The District contributes to the 401(A) Plan 7% of these employees' base wage for the first three years of employment and 10% thereafter with vesting occurring over seven (7) years.

The District's contribution to these supplemental retirement plans for the year ending September 30, 2016, was \$60,819.

9. RISK MANAGEMENT

South Walton Fire District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases insurance through commercial carriers to cover these risks.

All full-time District employees are covered under the District's employee health benefit program. The District pays 100% of the health insurance premium for District employees and 50% of the premium for employee dependents. The District's health insurance plan has no deductibles and a maximum out-of-pocket cost of \$1,500 per individual and \$3,000 per family, if network providers are used. Under this plan the District is not obligated to reimburse for deductibles or out-of-pocket costs.

Beginning in fiscal year 2016 the District also offered an alternative Health Savings Account Plan with a \$1,500/\$3,000 deductible and a \$3,000/\$6,000 maximum out-of-pocket cost within network. For fiscal year 2017 the deductible will remain at \$1,500/\$3,000 with a \$4,500/\$9,000 maximum out-of-pocket cost within network.

It is at the employee's discretion in determining in which plan to participate.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

10. LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The following table summarizes changes in long-term liabilities of the District for the year ended September 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Compensated absences	\$ 1,407,580	\$ 1,322,827	\$ (1,256,048)	\$ 1,474,359
Other postemployment benefits	1,665,680	267,727	(89,215)	1,844,192
Total Governmental Activities	<u>\$ 3,073,260</u>	<u>\$ 1,590,554</u>	<u>\$ (1,345,263)</u>	<u>\$ 3,318,551</u>

Description of Long-Term Liabilities Outstanding

	Current	Long-Term	Total
Accrued Compensated Absences			
Total long-term portion of accumulated, vested paid time off for governmental fund types	\$ -	\$ 1,474,359	\$ 1,474,359
Other Post Employment Benefits			
Total long-term portion	-	1,844,192	1,844,192
Total Governmental-Type Activities	<u>\$ -</u>	<u>\$ 3,318,551</u>	<u>\$ 3,318,551</u>

11. GOVERNMENTAL FUND BALANCES

Fund balances are classified either as non-spendable or as spendable. Spendable fund balances are further classified in a hierarchy based on the extent to which there are external and internal constraints on the spending of these fund balances. These classifications are described as follows:

Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. As of September 30, 2016, the District did not have any non-spendable fund balances.

Spendable fund balances are classified as follows depending on the District's ability to control the spending of these fund balances.

Restricted fund balances can only be used for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or are imposed by law through constitutional provisions or enabling legislation. As of September 30, 2016, the District had restricted fund balances of \$2,026,970, which represents unspent impact fees restricted based on section 191.009 of the Florida Statutes.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

11. GOVERNMENTAL FUND BALANCES – CONTINUED

Committed fund balances can only be used for specific purposes imposed internally by the District's formal action of highest level of decision making authority. As of September 30, 2016, the District had committed funds for capital expenditures and compensated absences of \$1,779,597.

Assigned fund balances are fund balances intended to be used for specific purposes, but which do not meet the more formal criterion to be considered either restricted or committed. As of September 30, 2016, the District had assigned funds for contingency of \$2,164,822.

Unassigned fund balances represent the residual positive fund balance within the General Fund, which has not been assigned to other funds and has not been restricted, committed, or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances. As of September 30, 2016, the District had \$2,055,265 in unassigned fund balances.

12. COMMITMENTS AND CONTINGENCIES

Lease Agreement

As of August 9, 1999, the District has entered into a lease agreement with the Board of Trustees of the Internal Improvement Trust Fund of the State of Florida. This is a 50-year lease for two lots on Mack Bayou Road with the only consideration from the District being the establishment and operation of a fire department, which is satisfied by the construction and operation of the Mack Bayou station.

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTH WALTON FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS
Unaudited**

Fiscal year ending September 30, Measurement date ending September 30,	2017	2016	2015	2014
	2016	2015	2014	2013
Total Pension Liability				
Service cost	\$ 1,513,160	\$ 1,861,588	\$ 1,779,595	\$ 1,647,773
Interest	2,533,992	2,590,317	2,279,605	1,995,347
Change in excess state money	(399,766)	179,685	128,212	-
Share plan allocation	422,953	-	-	-
Differences between expected and actual experiences	712,281	(786,803)	-	-
Changes of assumptions	-	(3,878,418)	-	-
Contributions – buy back	-	89,010	-	-
Benefit payments, including refunds of employee contributions	(266,641)	(196,017)	(318,562)	(124,883)
Net change in total pension liability	4,515,979	(140,638)	3,868,850	3,518,237
Total pension liability – beginning	30,694,830	30,835,468	26,966,618	23,448,381
Total pension liability – ending (a)	<u>\$ 35,210,809</u>	<u>\$ 30,694,830</u>	<u>\$ 30,835,468</u>	<u>\$ 26,966,618</u>
Plan Fiduciary Net Position				
Contributions – employer	\$ 1,151,968	\$ 1,210,923	\$ 1,354,591	\$ 1,210,886
Contributions – state	686,162	756,247	704,774	632,791
Contributions – employee	421,011	405,366	397,215	438,276
Contributions – buy back	-	89,010	-	-
Net investment income	3,664,067	182,373	3,110,572	3,346,835
Benefit payments, including refunds of employee contributions	(266,641)	(196,017)	(318,562)	(124,883)
Administrative expenses	(42,840)	(43,231)	(30,188)	(25,992)
Net change in plan fiduciary net position	5,613,727	2,404,671	5,218,402	5,477,913
Plan fiduciary net position – beginning	33,670,566	31,265,895	26,047,493	20,569,580
Plan fiduciary net position – ending (b)	<u>\$ 39,284,293</u>	<u>\$ 33,670,566</u>	<u>\$ 31,265,895</u>	<u>\$ 26,047,493</u>
Net pension liability (asset) – ending (a) – (b)	<u>\$ (4,073,484)</u>	<u>\$ (2,975,736)</u>	<u>\$ (430,427)</u>	<u>\$ 919,125</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	111.57%	109.69%	101.40%	96.59%
Covered employee payroll*	\$ 6,237,566	\$ 6,438,507	\$ 5,790,475	\$ 5,638,637
Net pension liability (asset) as a percentage of covered employee payroll	-65.31%	-46.22%	-7.43%	16.30%

**SOUTH WALTON FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF CHANGES IN NET PENSION
LIABILITY (ASSET) AND RELATED RATIOS
Unaudited**

The Schedule of Changes in Net Pension Liability (Asset) is not available for years prior to 2013.

* The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Changes of assumptions:

For the measurement date 09/30/2016, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

For the measurement date 09/30/2015, amounts reported as changes of assumptions were resulted from mandatory revisions to the mortality table to incorporate generational mortality improvements. Furthermore the Salary Increase assumption has been changed from 7.50% per year to a service based assumption that more closely aligns with actual plan experience.

**SOUTH WALTON FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
Unaudited**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 1,725,074	\$ 1,787,485	\$ 1,931,153	\$ 1,787,448
Contributions in relation to the actuarially determined contributions	<u>1,814,944</u>	<u>1,787,485</u>	<u>1,931,153</u>	<u>1,787,448</u>
Contribution deficiency (excess)	<u>\$ (89,870)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll*	\$ 6,237,566	\$ 6,438,507	\$ 5,790,475	\$ 5,638,637
Contributions as a percentage of covered employee payroll	29.10%	27.76%	33.35%	31.70%

* The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

**SOUTH WALTON FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
Unaudited**

Valuation Date: October 1, 2014

Notes:

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

Methods and Assumptions Used to Determine Contribution Rates:

Funding method: Entry-Age Normal Actuarial Cost Method

Amortization method: Level percentage of pay, closed

Remaining amortization period: 30 years (as of the 10/01/2014 valuation)

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

Interest rate: 8% per year, compounded annually, net of investment related expenses

Retirement age: Earlier of age 55 and 10 years of service or the completion of 25 years of service.

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.

Disability rates: See table below (1201). It is assumed that 75% of disablements are service related.

Termination rates: See table below (1302).

Salary increases: 7.5% per year until the assumed retirement age.

Payroll growth: 5% per year.

Asset valuation method: Actuarial Value of Assets is developed by recognizing the total actuarial investment gain or loss for each Plan year over a three-year period. This gain or loss is defined as the actual return on investments minus the actuarial assumed investment return.

Termination and Disability Rate Table

Age	% Terminating During the Year	% Becoming Disabled During the
20	6.00%	0.03%
30	5.00%	0.04%
40	2.60%	0.07%
50	0.80%	0.18%

**SOUTH WALTON FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
COMPONENTS OF PENSION EXPENSE
Unaudited**

	Net Pension Liability (Asset)	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance, October 1, 2015	\$ (430,427)	\$ 753,967	\$ 1,210,923	\$ -
Employer contributions made after September 30, 2015	-	-	1,838,130	-
Total pension liability factors:				
Service cost	1,861,588	-	-	1,861,588
Interest	2,590,317	-	-	2,590,317
Change in excess state money	179,685	-	-	179,685
Changes in benefit terms	-	-	-	-
Contributions – buy back	89,010	-	-	89,010
Differences between expected and actual experience with regard to economic or demographic assumptions	(786,803)	786,803	-	-
Current year amortization of experience difference	-	(87,423)	-	(87,423)
Change in assumptions about future economic or demographic factors or other inputs	(3,878,418)	3,878,418	-	-
Current year amortization of change in assumptions	-	(430,935)	-	(430,935)
Benefit payments	(196,017)	-	-	(196,017)
Net change	(140,638)	4,146,863	1,838,130	4,006,225
Plan fiduciary net position:				
Contributions – employer	1,210,923	-	(1,210,923)	-
Contributions – state	756,247	-	-	-
Contributions – employee	405,366	-	-	(405,366)
Contributions – buy back	89,010	-	-	(89,010)
Net investments income	2,590,164	-	-	(2,590,164)
Differences between projected and actual earnings	(2,407,791)	-	2,407,791	-
Current year amortization	-	(188,491)	(481,559)	293,068
Benefit payments	(196,017)	-	-	196,017
Administrative expenses	(43,231)	-	-	43,231
Net change	2,404,671	(188,491)	715,309	(2,552,224)
Ending balance, September 30, 2016	\$ (2,975,736)	\$ 4,712,339	\$ 3,764,362	\$ 1,454,001

**SOUTH WALTON FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS
Unaudited**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (b-a)	Percentage Funded	Annual Covered Payroll (c)	UAAL as % of Payroll [c/(b-a)]
October 1, 2015	\$ -	\$1,391,185	\$ 1,391,185	0.00%	\$6,685,975	20.8%
October 1, 2014	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2013	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2012	\$ -	\$1,079,075	\$ 1,079,075	0.00%	\$6,486,487	16.6%

COMPLIANCE SECTION

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Fire Commissioners
South Walton Fire District

We have examined South Walton Fire District's compliance with the following requirements for the year ended September 30, 2016.

- (1) Florida Statute 218.415 in regards to the investments.
- (2) Florida Statute 288.8018 in regards to the Deepwater Horizon Oil Spill receipts and expenditures.

Management is responsible for the South Walton Fire District's compliance with those requirements. Our responsibility is to express an opinion on the South Walton Fire 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 South Walton Fire 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 South Walton Fire District's compliance with specified requirements.

In our opinion, the South Walton Fire District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

Warren Averett, LLC

Destin, Florida
January 9, 2017

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

To the Board of Fire Commissioners
South Walton Fire District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Walton Fire District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise South Walton Fire District's basic financial statements, and have issued our report thereon dated January 9, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Walton Fire 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 South Walton Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Walton Fire District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Walton Fire 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.



Destin, Florida
January 9, 2017

MANAGEMENT LETTER

To the Board of Fire Commissioners
South Walton Fire District

We have audited the financial statements of the South Walton Fire District, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated January 9, 2017.

Auditors' Responsibility

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

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports are dated January 9, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The South Walton Fire District was established by the Walton County Board of Commissioners on August 9, 1983, by Ordinance 83-6.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we report the results of our determination as to whether or not South Walton Fire 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 South Walton Fire District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition – Continued

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 South Walton Fire 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, require that we report the results of our determination as to whether the annual financial report for the South Walton Fire 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, 2016. 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 Fire Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We greatly appreciate the assistance and cooperation extended to us during our audit.

Warren Averett, LLC

Destin, Florida
January 9, 2017