

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 2018 ad valorem tax base (based on the calendar year 2017 valuation) are estimated to increase by approximately 10%. The South Walton Fire District elected to keep its millage rate for fiscal year 2018 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
GOVERNMENTAL FUND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balance – governmental fund (page 15) \$ 2,217,411

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 or amortized over the estimated useful lives of the assets.

| | | |
|---|------------------|---------|
| Expenditures for capital assets | \$ 1,266,843 | |
| Less current year depreciation and amortization | <u>(972,839)</u> | |
| | | 294,004 |

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. 788,543

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 the governmental fund.

| | | |
|---|------------------|------------------|
| Change in net pension asset and related deferrals | 473,795 | |
| Change in other post-employment benefits | (189,778) | |
| Change in long-term compensated absences | (128,381) | |
| Bad debt expense related to EMS receivables | <u>(818,361)</u> | |
| | | <u>(662,725)</u> |

Change in net position of governmental activities (page 12) \$ 2,637,233

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| | Budgeted Amounts | | Actual | Variance with Final Budget – Positive (Negative) |
|--|-------------------------|--------------------|----------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 12,900,328 | \$ 12,900,328 | \$ 13,138,191 | \$ 237,863 |
| Intergovernmental | 1,628,116 | 1,628,116 | 1,707,389 | 79,273 |
| Impact fees | 600,000 | 600,000 | 733,449 | 133,449 |
| Charges for services | 1,575,094 | 1,575,094 | 1,767,497 | 192,403 |
| Miscellaneous | 71,915 | 71,915 | 149,594 | 77,679 |
| Total revenues | <u>16,775,453</u> | <u>16,775,453</u> | <u>17,496,120</u> | <u>720,667</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public safety | 15,289,486 | 15,289,486 | 14,026,647 | 1,262,839 |
| Capital outlay | 4,089,905 | 4,089,905 | 1,266,843 | 2,823,062 |
| Debt service | 3,200 | 3,200 | - | 3,200 |
| Total expenditures | <u>19,382,591</u> | <u>19,382,591</u> | <u>15,293,490</u> | <u>4,089,101</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(2,607,138)</u> | <u>(2,607,138)</u> | <u>2,202,630</u> | <u>4,809,768</u> |
| OTHER FINANCING SOURCES | | | | |
| Sale of capital assets | - | - | 14,781 | 14,781 |
| NET CHANGE IN FUND BALANCE | (2,607,138) | (2,607,138) | 2,217,411 | 4,824,549 |
| FUND BALANCE AT BEGINNING OF YEAR | <u>2,607,138</u> | <u>2,607,138</u> | <u>8,026,654</u> | <u>5,419,516</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,244,065</u> | <u>\$ 10,244,065</u> |

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017**

| | Pension Trust Fund |
|---|-------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,173,893 |
| Investments, at market | 44,512,464 |
| Interest receivable | <u>20,781</u> |
| TOTAL ASSETS | <u>45,707,138</u> |
| LIABILITIES | |
| Accounts payable | <u>23,974</u> |
| NET POSITION RESTRICTED FOR PENSIONS | <u><u>\$ 45,683,164</u></u> |

See notes to the financial statements.

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 experience | 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 ¹ | \$ 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% |

¹ The covered employee payroll numbers shown are in compliance with GASB 82, except for the 9/30/2015 measurement date which includes DROP payroll.

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

General Information

Changes of Assumptions

For the 9/30/2016 measurement date, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption used by the plan's investment consultant.

For the 9/30/2015 measurement date, amounts reported as changes of assumptions were resulted in 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 Year |
|-----|----------------------------------|---|
| 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
SCHEDULE OF INVESTMENT RETURNS
SEPTEMBER 30, 2017
(UNAUDITED)**

| | <u>9/30/2016</u> | <u>9/30/2015</u> | <u>9/30/2014</u> | <u>9/30/2013</u> |
|---|------------------|------------------|------------------|------------------|
| Annual Money-Weighted Rate of Return Net of Investment Expense | 10.72% | 0.57% | 11.64% | 15.50% |

Note: This information is not available for previous years.

**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) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as % of Payroll [(b- a)/c] |
|-------------------------------------|--|--|--|-------------------------------|---|--|
| October 1, 2016 | N/A | N/A | N/A | N/A | N/A | N/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 ON AN EXAMINATION OF
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550,
*RULES OF THE AUDITOR GENERAL***

To the Board of Fire Commissioners
South Walton Fire District

We have examined South Walton Fire District's (the District's) compliance with the following requirements for the year ended September 30, 2017.

- (1) Florida Statute 218.415 in regards to the investments.

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the South Walton Fire District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

Destin, Florida
December 22, 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 and each major fund of the South Walton Fire District, as of and for the year ended September 30, 2017, 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 December 22, 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
December 22, 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, 2017, and have issued our report thereon dated December 22, 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, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports are dated December 22, 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.

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

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, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of 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.

Destin, Florida
December 22, 2017