

SOUTH WALTON FIRE DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2018

**SOUTH WALTON FIRE DISTRICT
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SEPTEMBER 30, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Fire Commissioners
South Walton Fire District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Walton Fire District (the District) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 and each major fund of the South Walton Fire District, as of September 30, 2018, 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 the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2019, 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 14, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of South Walton Fire District, we offer readers of the 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, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of South Walton Fire District exceeded its liabilities and deferred inflows of resources by \$22.45 million (net position), which represents an increase of \$3.13 million (or 16.17%) over the prior year. Of this amount, \$11.69 million represents investments in capital assets (e.g. land, building, machinery, and equipment), \$2.44 million represents impact fees restricted by Florida statutes for items needed as a result of the expansion of District activities, and \$8.33 million is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- South Walton Fire District's governmental fund reported an ending fund balance of \$10.54 million, an increase of \$0.29 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2.16 million or 11.35% of the total General Fund expenditures, which is available for spending at the District's discretion.
- South Walton Fire District implemented GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*, which had an approximately \$593 thousand restatement of unrestricted net position.

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 13-17 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 45-50 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 \$22.45 million (net position) as of September 30, 2018 as reported in Table 1.

The largest portion of South Walton Fire District's net position, \$11.69 million or 52.06%, 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, 2018.

Table 1
SOUTH WALTON FIRE DISTRICT
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2018 AND 2017
(In Thousands of Dollars, Rounded)

	Governmental Activities	
	2018	2017
		restated
Current, restricted, and other assets	\$ 15,217	\$ 15,296
Capital assets	11,688	9,153
Total assets	26,905	24,449
Deferred outflows of resources	4,458	2,062
Long-term liabilities outstanding	3,303	3,049
Other liabilities	866	506
Total liabilities	4,169	3,555
Deferred inflows of resources	4,741	3,629
Net investment in capital assets	11,688	9,153
Restricted	2,435	2,474
Unrestricted	8,330	7,700
Total net position	\$ 22,453	\$ 19,327

Deferred outflows and deferred inflows of resources are related to pensions and OPEB, as a result of implementing GASB Statement No. 68 and 75. The effects of implementation in the current and prior period are more fully explained in Note 8 and 9 to the financial statements.

The balance of unrestricted net position of \$8.33 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 \$3.13 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, 2018, as compared to the prior year. This was the result of an increase in the total property tax base in south Walton County for taxes collected in fiscal year 2018.

Table 2
SOUTH WALTON FIRE DISTRICT
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(In Thousands of Dollars, Rounded)

	Governmental Activities	
	2018	2017
REVENUES		
Program revenues		
Charges for services	\$ 4,449	\$ 4,235
Operating grants and contributions	11	26
Capital grants and contributions	946	733
General revenues		
Property taxes	14,552	13,138
Other taxes	26	25
Other revenue	225	142
Total revenues	<u>20,209</u>	<u>18,299</u>
EXPENSES		
Current		
Public safety	<u>17,083</u>	<u>15,662</u>
Total expenses	<u>17,083</u>	<u>15,662</u>
INCREASE IN NET POSITION	3,126	2,637
NET POSITION AT BEGINNING OF YEAR	19,327	16,097
PRIOR PERIOD ADJUSTMENT – GASB 75	-	593
NET POSITION AT END OF YEAR	<u>\$ 22,453</u>	<u>\$ 19,327</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 higher collection rate.
- Impact fees imposed on development within the District exceeded projections due to development in South Walton County being higher than expected.
- Charges for services exceeded budget as a result of a significant increase in bonfire permit fees and ambulance service fees exceeding management's expectations.
- Overall expenditures were below the amounts budgeted due to the intentional postponement of capital expenditures and payroll-related expenditures being less than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

South Walton Fire District's capital assets for its governmental activities as of September 30, 2018, totaled \$11.69 million (net of accumulated depreciation and amortization). Capital assets include land, buildings, improvements, machinery and equipment, software, etc. The additions to South Walton Fire District's capital assets for the current fiscal year were \$3,506,460, net book value of the capital assets disposed were \$34,117, and depreciation and amortization expense in the current year totaled \$937,546.

Table 3
SOUTH WALTON FIRE DISTRICT
CAPITAL ASSETS
(Net of Depreciation and Amortization)
AS OF SEPTEMBER 30, 2018 AND 2017

	Governmental Activities	
	2018	2017
Land	\$ 310,754	\$ 310,754
Buildings	4,053,792	4,152,580
Improvements other than buildings	91,727	81,265
Furniture and equipment	867,454	449,029
Trucks and automobiles	3,863,421	2,501,800
Intangible assets	125,267	49,559
Construction in progress	2,375,398	1,608,029
Total	\$ 11,687,813	\$ 9,153,016

Additional information on the capital assets of South Walton Fire District can be found in Note 6 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 \$3.30 million, which was comprised of compensated absences and OPEB. It should be noted that \$850,000 of the District's governmental fund balance has been assigned for compensated absences. South Walton Fire District had no debt as of September 30, 2018.

Table 4
SOUTH WALTON FIRE DISTRICT
LONG-TERM LIABILITIES OUTSTANDING
AS OF SEPTEMBER 30, 2018 AND 2017

	Governmental Activities	
	2018	2017 restated
Compensated absences	\$ 1,888,401	\$ 1,602,740
Other post-employment benefits	1,414,901	1,445,996
Total	\$ 3,303,302	\$ 3,048,736

South Walton Fire District's long-term liabilities increased by \$254,566 during the 2018 fiscal year, which is attributable to the net increase in compensated absences and OPEB, impacted by the implementation of GASB 75.

Additional information on South Walton Fire District's long-term liabilities can be found in Note 9 and 12 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. The District's millage rate for the current fiscal year and preceding four fiscal years was as follows:

Fiscal year ended September 30,	Ad Valorem Millage Rate
2018	.9799
2017	.9799
2016	.9799
2015	.9799
2014	.9799

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 2019 ad valorem tax base (based on the calendar year 2018 valuation) are estimated to increase by approximately 10.56%. The South Walton Fire District elected to set its millage rate for fiscal year 2019 at 1.0000.

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, 2018**

	<u>Primary Government</u>
ASSETS	
Cash and cash equivalents	\$ 4,437,948
Investments, at market	4,341,606
Receivables, EMS	552,123
Receivables, other	5,453
Due from other governments	182,325
Restricted assets	
Cash and cash equivalents	2,435,062
Capital assets	
Non-depreciable	2,686,152
Depreciable, net	9,001,661
Net pension asset	<u>3,262,703</u>
TOTAL ASSETS	<u>26,905,033</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>4,458,487</u>
LIABILITIES	
Accounts payable	348,093
Accrued liabilities	518,270
Non-current liabilities	
Due in more than one year	
Compensated absences	1,888,401
Other post-employment benefits	<u>1,414,901</u>
TOTAL LIABILITIES	<u>4,169,665</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,741,463</u>
NET POSITION	
Net investment in capital assets	11,687,813
Restricted – impact fees	2,435,062
Unrestricted	<u>8,329,517</u>
TOTAL NET POSITION	<u><u>\$ 22,452,392</u></u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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	Governmental Activities
Government Activities					
Public safety	\$ 17,083,328	\$ 4,448,944	\$ 11,380	\$ 945,621	\$ (11,677,383)
Total primary government	<u>\$ 17,083,328</u>	<u>\$ 4,448,944</u>	<u>\$ 11,380</u>	<u>\$ 945,621</u>	<u>(11,677,383)</u>
General Revenues					
Taxes					
Property taxes					14,551,536
State revenue sharing					26,440
Investment earnings					130,999
Sale of capital assets					17,443
Miscellaneous					<u>76,264</u>
Total general revenues					<u>14,802,682</u>
CHANGE IN NET POSITION					3,125,299
NET POSITION AT BEGINNING OF YEAR - RESTATED					<u>19,327,093</u>
NET POSITION AT END OF YEAR					<u>\$ 22,452,392</u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
SEPTEMBER 30, 2018**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 4,437,948
Investments, at market	4,341,606
Receivables, EMS	552,123
Receivables, other	5,453
Due from other governments	182,325
Restricted assets	
Cash and cash equivalents	<u>2,435,062</u>
TOTAL ASSETS	<u><u>\$ 11,954,517</u></u>
LIABILITIES	
Accounts payable	\$ 348,093
Accrued liabilities	<u>518,270</u>
Total liabilities	<u>866,363</u>
DEFERRED INFLOW OF RESOURCES	
Unavailable resources	<u>552,123</u>
FUND BALANCE	
Restricted for capital growth initiatives	2,435,062
Assigned for capital outlay	2,100,000
Assigned for compensatory time off	850,000
Assigned for contingencies	2,995,673
Unassigned	<u>2,155,296</u>
Total fund balance	<u>10,536,031</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	<u><u>\$ 11,954,517</u></u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GOVERNMENTAL FUND
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Fund balance – total governmental fund (page 13)	\$ 10,536,031
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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	\$ 2,686,152	
Governmental depreciable and amortizable assets	18,771,954	
Less accumulated depreciation and amortization	<u>(9,770,293)</u>	
		11,687,813

Deferred inflows of resources in the governmental funds are used to offset accounts receivables not expected to be collected within the period of availability of year-end. These receivables are a component of net position in the Statement of Net Position

Deferred inflows related to EMS receivable	552,123
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Other assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.

Net pension asset	3,262,703
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Deferred inflows of resources and deferred outflows of resources related to pensions and OPEB are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental fund.

Deferred outflows of resources	4,458,487	
Deferred inflows of resources	<u>(4,741,463)</u>	
		(282,976)

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

Compensated absences	(1,888,401)	
Other postemployment benefits	<u>(1,414,901)</u>	
		<u>(3,303,302)</u>

Net position of governmental activities (page 11)	<u><u>\$ 22,452,392</u></u>
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See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

REVENUES

Taxes	\$ 14,551,536
Intergovernmental	1,704,898
Impact fees	945,621
Charges for services	1,816,737
Miscellaneous and interest income	<u>215,444</u>
Total revenues	<u>19,234,236</u>

EXPENDITURES

Current	
Public safety	15,487,370
Capital outlay	<u>3,506,460</u>
Total expenditures	<u>18,993,830</u>

EXCESS OF REVENUES OVER EXPENDITURES

240,406

OTHER FINANCING SOURCES

Proceeds from sale of capital assets	<u>51,560</u>
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NET CHANGE IN FUND BALANCE

291,966

FUND BALANCE AT BEGINNING OF YEAR

10,244,065

FUND BALANCE AT END OF YEAR

\$ 10,536,031

See notes to the financial statements.

**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, 2018**

Net change in fund balance – governmental fund (page 15)	\$	291,966
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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	\$	3,506,460	
Less current year depreciation and amortization		<u>(937,546)</u>	
			2,568,914

Governmental funds do not report capital assets on the balance sheet; however, they are reported in the government-wide financial statements. Accordingly, proceeds received for disposal of capital assets are shown as income in the governmental financial statements and a gain or loss is reported in the statement of activities.

Cost of capital assets associated with disposals		(618,714)	
Accumulated depreciation associated with disposals		<u>584,597</u>	
			(34,117)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.		956,948
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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		628,337	
Change in other post-employment benefits		(124,398)	
Change in long-term compensated absences		(285,661)	
Bad debt expense related to EMS receivables		<u>(876,690)</u>	
			<u>(658,412)</u>

Change in net position of governmental activities (page 12)	\$	<u><u>3,125,299</u></u>
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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, 2018**

	Budgeted Amounts			Variance with Final Budget – Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 14,307,529	\$ 14,307,529	\$ 14,551,536	\$ 244,007
Intergovernmental	1,702,949	1,702,949	1,704,898	1,949
Impact fees	600,000	600,000	945,621	345,621
Charges for services	1,692,454	1,692,454	1,816,737	124,283
Miscellaneous	96,154	96,154	215,444	119,290
Total revenues	18,399,086	18,399,086	19,234,236	835,150
EXPENDITURES				
Current				
Public safety	16,453,808	16,453,808	15,487,370	966,438
Capital outlay	6,800,387	6,800,387	3,506,460	3,293,927
Debt service	20,000	20,000	-	20,000
Total expenditures	23,274,195	23,274,195	18,993,830	4,280,365
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,875,109)	(4,875,109)	240,406	5,115,515
OTHER FINANCING SOURCES				
Sale of capital assets	3,500	3,500	51,560	48,060
NET CHANGE IN FUND BALANCE	(4,871,609)	(4,871,609)	291,966	5,163,575
FUND BALANCE AT BEGINNING OF YEAR	4,871,609	4,871,609	10,244,065	5,372,456
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 10,536,031	\$ 10,536,031

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2018**

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 1,179,439
Investments, at market	50,300,076
Interest receivable	<u>72,812</u>
TOTAL ASSETS	<u>51,552,327</u>
LIABILITIES	
Accounts payable	<u>11,504</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 51,540,823</u></u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Pension Trust Fund
ADDITIONS	
Contributions	
Employer	\$ 546,000
Plan members	592,145
State of Florida	<u>681,518</u>
Total contributions	<u>1,819,663</u>
Gain on investment	4,678,011
Less investment expense	<u>(88,859)</u>
Net gain on investment	<u>4,589,152</u>
Total additions	<u>6,408,815</u>
DEDUCTIONS	
Administrative expenses	79,221
Distributions to retirees	<u>471,935</u>
Total deductions	<u>551,156</u>
CHANGE IN FIDUCIARY NET POSITION	5,857,659
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	<u>45,683,164</u>
End of year	<u><u>\$ 51,540,823</u></u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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 pronouncements for determining financial accountability of potential component units in evaluating all potential component units.

As of September 30, 2018, South Walton Fire District had no component units.

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, 2018**

**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, 2018**

**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, 2018
Levy Date	November 1, 2018
Due Date	November 1, 2018
Delinquent Date	April 1, 2019

Discounts of 1% for each month taxes are paid prior to March 2019 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 2018 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 by way of a resolution, which is the highest level of decision making authority available to the Board. 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, 2018**

**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, 2018**

**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, 2018.

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
Intangible assets (software)	\$ 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, 2018**

**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.

Intangible assets include purchased and internally developed software. These assets are stated at cost, less accumulated amortization. Amortization is provided using the straight-line method.

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
Intangible assets (software)	3-5 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, 2018, the District's compensated absences liability is all long-term.

On September 11, 2018, the District ratified the 2018 through 2021 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, 2018**

**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 Service</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	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
17 th Anniversary	15.76 hours per pay period	409.72 hours

8-Hour staff personnel:

<u>Years of Employment</u>	<u>Accrual Rate</u>	<u>Annual Accrual</u>
Date of Hire	5.08 hours per pay period	132.08 hours
5th Anniversary	6.00 hours per pay period	136.00 hours
15th Anniversary	6.92 hours per pay period	179.92 hours

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

**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 2018-2021 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

Communications personnel shall accrue sick leave at the rate of 4.85 hours per pay period. Twenty-four (24) hour staff employees shall accrue sick leave at the rate of 6.46 hours per pay period. Eight (8) hour staff employees shall accrue sick leave at the rate of 3.69 hours per pay period until their tenth (10th) anniversary when the sick leave accrual increases to 4.62 hours per pay period.

The amount of the unpaid accrued leave at September 30, 2018 was \$1,890,885.

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.

Classification of Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB Statement No. 54, are comprised of the following:

Nonspendable – Includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, and prepaid items.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

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

Classification of Fund Balance – Continued

Restricted – Includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed – Includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action (a Resolution) of the government's highest level of decision making authority, the Board of Fire Commissioners. Commitments may be changed or lifted only by the District taking the same formal action (a Resolution) that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.

Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Intent is expressed by the Board of Fire Commissioners or (b) a body (for example: a budget or finance committee) or official to which the Board of Fire Commissioners has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – Includes residual positive fund balance within the General Fund, which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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. See Note 7 for additional information on the District's deferred outflows of resources.

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. See Note 7 for additional information on the District's deferred inflows of resources.

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.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation. Such reclassifications have no effect on fund balance and net position previously reported.

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.

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 assignments 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, 2018, the District had no encumbrances.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

At year-end, the value of the District's deposits was \$6,354,470, 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, 2018, 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.

As of September 30, 2018, the District held the following investments and related maturities:

		INVESTMENT MATURITIES (YEARS)						
	Fair Value	<1	1-5	5-10	10-15	15-20	20-25	25-30
Investments subject to								
interest rate risk								
U.S. Treasury	\$ 7,467,052	\$ 1,094,616	\$ 1,301,023	\$ 2,798,735	\$ 641,729	\$ -	\$ -	\$ 1,630,949
U.S. Government								
Agencies	1,563,828	1,224,358	310,039	29,431				
Corporate debt								
and other debt	7,564,025	1,470,780	5,292,602	800,643	-	-	-	-
	<u>\$ 16,594,905</u>	<u>\$ 3,789,754</u>	<u>\$ 6,903,664</u>	<u>\$ 3,628,809</u>	<u>\$ 641,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,630,949</u>
Investments not subject								
to interest rate risk								
Mutual and exchange-								
traded funds	\$ 33,830,263							
Commingled real								
estate funds	<u>4,216,514</u>							
Total	\$ 54,641,682							

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

Interest Rate Risk

Both the District's investment policy and the pension trust fund's investment policy encourage matching investment maturities with known cash needs and anticipated cash flow requirements in order to manage interest rate risk.

Credit Risk

The pension trust fund was in compliance with its investment policies described in Note 1 regarding credit risk as of September 30, 2018. The District's investment policy does not limit investments to those with specific credit ratings.

Custodial Credit Risk

Investments are diversified to the extent practicable to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank. When investment funds are needed, in whole or in part, for the purposes originally intended or for more optimal investments, investments may be redeemed at market price and the proceeds placed into the proper account for immediate use or investment.

4. FAIR VALUE OF INVESTMENTS

The District measures and records its investments using fair value measurements guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1 – Quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date. The District had no Level 1 investments as of September 30, 2018.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly.

Level 3 – Unobservable inputs for an asset. The District had no Level 3 investments as of September 30, 2018.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

4. FAIR VALUE OF INVESTMENTS – CONTINUED

The following table presents the investments carried at fair value on September 30, 2018:

	Fair Value	Net Asset Value	Level 2
Debt securities			
U.S. Treasury bonds	\$ 7,467,052	\$ -	\$ 7,467,052
U.S. Government Agency obligations	1,563,828	-	1,563,828
Corporate bonds and other fixed income securities	7,564,025	-	7,564,025
Total debt securities	<u>16,594,905</u>	<u>-</u>	<u>16,594,905</u>
Equity securities and commingled funds			
Mutual funds	33,830,263	33,830,263	-
Commingled real estate investment funds	4,216,514	4,216,514	-
Total equity securities and commingled funds	<u>38,046,777</u>	<u>38,046,777</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 54,641,682</u>	<u>\$ 38,046,777</u>	<u>\$ 16,594,905</u>

5. RECEIVABLES

Receivables at September 30, 2018, were as follows:

	Governmental Activities
Receivables	
EMS receivable	\$ 552,123
Other receivables	5,453
Total Receivables	<u>\$ 557,576</u>
Due From Other Governments	
Due from the State of Florida for firefighter supplemental compensation	\$ 6,660
Due from the County for bid security for beach safety RFP	80,600
Due from the County Tax Collector for excess fees and prior year taxes	95,065
Total Due From Other Governments	<u>\$ 182,325</u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, 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 and amortized				
Land	\$ 310,754	\$ -	\$ -	\$ 310,754
Construction in progress	1,608,029	1,154,480	(387,111)	2,375,398
Total capital assets not being depreciated and amortized	1,918,783	1,154,480	(387,111)	2,686,152
Capital assets being depreciated and amortized				
Buildings	6,991,579	133,351	-	7,124,930
Improvements other than buildings	218,187	22,664	-	240,851
Furniture and equipment	3,143,334	484,258	(351,713)	3,275,879
Trucks and automobiles	6,246,249	1,655,736	87,138	7,989,123
Intangibles	52,228	55,971	32,972	141,171
Total capital assets being depreciated and amortized	16,651,577	2,351,980	(231,603)	18,771,954
Less accumulated depreciation and amortization				
Buildings	(2,839,000)	(232,138)	-	(3,071,138)
Improvements other than buildings	(136,923)	(12,201)	-	(149,124)
Furniture and equipment	(2,694,303)	(225,933)	511,811	(2,408,425)
Trucks and automobiles	(3,744,449)	(454,039)	72,786	(4,125,702)
Intangibles	(2,669)	(13,235)	-	(15,904)
Total accumulated depreciation and amortization	(9,417,344)	(937,546)	584,597	(9,770,293)
Total capital assets being depreciated and amortized, net	7,234,233	1,414,434	352,994	9,001,661
Governmental Activities, Net	<u>\$ 9,153,016</u>	<u>\$ 2,568,914</u>	<u>\$ (34,117)</u>	<u>\$ 11,687,813</u>

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

Governmental Activities	
Public safety	\$ 937,546
Total Depreciation Expense – Governmental Activities	<u>\$ 937,546</u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

6. CHANGES IN CAPITAL ASSETS – CONTINUED

Construction Commitments

During the fiscal year ended September 30, 2013, the District began a major project to construct a fleet maintenance and logistics building and a fire training tower. The engineering and architectural work on the project was substantially complete at September 30, 2017.

The project is primarily being funded by impact fees that are restricted for capital growth initiatives. The total costs incurred for the project as of September 30, 2018 were \$2,359,797. The total estimated cost of the project is \$7,000,000, and the project is expected to be completed during the fiscal year ended September 30, 2019.

7. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of September 30, 2018, the District had various components of deferred outflows of resources and deferred inflows of resources as follows:

	Governmental Activities
Deferred outflows	
Pension related	
Subsequent contributions	\$ 1,227,518
Changes of assumptions	2,426,431
Differences between expected and actual experience	<u>790,543</u>
Total pension related deferred outflows	4,444,492
OPEB related	
Subsequent contributions	<u>13,995</u>
Total deferred outflows	<u><u>\$ 4,458,487</u></u>
Deferred inflows	
Pension related	
Net differences between projected and actual earnings on investments	\$ 1,467,157
Changes of assumptions	2,585,610
Differences between expected and actual experience	<u>524,537</u>
Total pension related deferred inflows	4,577,304
OPEB related	
Changes of assumptions	<u>164,159</u>
Total deferred inflows	<u><u>\$ 4,741,463</u></u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

8. DEFINED BENEFIT PENSION PLAN

Plan Description

Plan Administration

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 four 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 or her 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, 2017:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	16
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	9
Active Plan Members	<u>86</u>
	<u><u>111</u></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 until 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, 2018**

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

Plan Description – 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, 2017, and the measurement period for the pension expense was October 1, 2016 to September 30, 2017. The reporting period is October 1, 2017 through September 30, 2018.

The District's net pension liability (asset) was measured as of September 30, 2017. 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, 2016, updated to September 30, 2017, using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	7.50%
Investment Rate of Return	7.50%

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, 2018**

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

Net Pension Liability (Asset) – Continued

Actuarial Assumptions – Continued

Mortality Rate Disabled Lives:

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

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

The date of the most recent experience study for which significant assumptions are based upon is not available.

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 2018, 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	45.00%	7.50%
International equity	15.00%	8.50%
Broad market fixed income	25.00%	2.50%
Global fixed income	5.00%	3.50%
Real estate	10.00%	4.50%
Total	100.00%	

Discount Rate:

The discount rate used to measure the total pension liability was 8.00%. 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, 2018**

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

Net Pension Liability (Asset) – Continued

Changes in the District's net pension liability (asset) for the year ended September 30, 2018, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balances at September 30, 2017 (Valuation date of 10/01/2017)	\$ 35,210,809	\$ 39,284,293	\$ (4,073,484)
Changes:			
Service cost	1,571,972	-	1,571,972
Interest	2,925,711	-	2,925,711
Change in excess State money	-	-	-
Share plan allocation	4,899	-	4,899
Differences between expected and actual experience	292,955	-	292,955
Change in assumptions	2,773,063	-	2,773,063
Contributions – employer	-	430,000	(430,000)
Contributions – state	-	649,588	(649,588)
Contributions – employee	-	421,681	(421,681)
Contributions – buy back	103,630	103,630	-
Net investment income	-	5,320,373	(5,320,373)
Benefit payments, including refunds of employee contributions	(422,780)	(422,780)	-
Administrative expenses	-	(63,823)	63,823
Net changes	7,249,450	6,438,669	810,781
Balances at September 30, 2018 (Measurement date of 9/30/2017)	<u>\$ 42,460,259</u>	<u>\$ 45,722,962</u>	<u>\$ (3,262,703)</u>

The sensitivity of the net pension liability (asset) to changes in the discount rate are as follows:

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
Sponsor's net pension liability	\$ 2,598,701	\$ (3,262,703)	\$ (8,115,294)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued plan financial report. A separate audited financial report of the pension plan is not available.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

8. 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, 2018, the District recognized pension income of \$628,337. On September 30, 2018, 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
District and state contributions subsequent to the measurement date	\$ 1,227,518	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,467,157
Changes of assumptions	2,426,431	2,585,610
Differences between expected and actual experience	790,543	524,537
Total	<u>\$ 4,444,492</u>	<u>\$ 4,577,304</u>

Deferred outflows of resources related to pension of \$1,227,518 resulting from District and state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. 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:

2019	\$ (358,071)
2020	(169,580)
2021	(651,138)
2022	(472,651)
2023	(46,071)
Thereafter	337,181
	<u>\$ (1,360,330)</u>

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The District's Retiree Health Care Plan (the Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under one of the District's retirement plans to purchase health insurance at the District's group rate as mandated by Florida Statute 112.0801.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – Continued

Plan Description – Continued

For purposes of applying paragraph 4 under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, the Plan does not meet the requirements for an OPEB plan administered through a trust.

Plan Membership as of September 30, 2017

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>110</u>
	<u><u>111</u></u>

Benefits Provided

A retired employee and his or her spouse are eligible to continue health insurance identical to active employees if they meet the eligibility for retirement under the applicable Plan. The retiree is responsible for paying the entire monthly premium for health coverage and that of any covered spouse or eligible dependents.

Total OPEB Liability

The measurement date is September 30, 2017. The measurement period for OPEB expense is October 1, 2016 to September 30, 2017. The reporting period is October 1, 2017 to September 30, 2018.

The District's Total OPEB Liability was measured as of September 30, 2017.

The District's total OPEB liability was measured as of September 30, 2016, using a discount rate of 3.06%. The total OPEB Liability was "rolled-back" from September 30, 2017, at 3.06%, thus producing no experience gain or loss for the period from September 30, 2016 to September 30, 2017.

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	e Assumptions and Methods
Discount Rate	3.64%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	55

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Total OPEB Liability – Continued

Mortality

All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2016 Florida Retirement System (FRS) valuation report.

Active Lives

For female lives, 100% of the Combined Healthy White-Collar table was used. For male (non-special risk) lives, a 50% Combined Healthy White-Collar table, 50% Combined Healthy Blue-Collar table blend was used. For male special risk lives, a 10% Combined Healthy White-Collar table, 90% Combined Healthy Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Inactive Healthy Lives

For female lives, 100% of the Annuitant White-Collar table was used. For male (non-special risk) lives, a 50% Annuitant White-Collar table, 50% Annuitant Blue-Collar table blend was used. For male special risk lives, a 10% Annuitant White-Collar table, 90% Annuitant Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Disabled Lives

For female (non-special risk) lives, 100% of the Disabled Female table was used, set forward two years. For female special risk lives, a 60% of the Disable Female table, 40% Annuitant White-Collar table with no setback blend was used. For male (non-special risk) lives, 100% of the Disabled Male table was used, set back four years. For Male special risk lives, a 60% of the Disabled Male table, 40% Annuitant White Collar table with no setback blend was used. Disabled mortality has not been adjusted for mortality improvements.

Discount Rate

Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.64%. The high quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's "Aa2" rating and Standard & Poor's Corp.'s "AA".

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at September 30, 2017	\$ 1,445,996	\$ -	\$ 1,445,996
Changes for the year:			
Service cost	111,340	-	111,340
Interest	47,573	-	47,573
Differences between Expected and Actual experience	-	-	-
Changes of assumptions	(184,679)	-	(184,679)
Benefit payments	(5,329)		(5,329)
Net changes	(31,095)	-	(31,095)
Reporting period ending September 30, 2018	<u>\$ 1,414,901</u>	<u>\$ -</u>	<u>\$ 1,414,901</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:

	1% Decrease 2.64%	Current Discount Rate 3.64%	1% Increase 4.64%
Net OPEB liability	\$ 1,755,314	\$ 1,414,901	\$ 1,161,639

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates:

	Healthcare Cost		
	1% Decrease 3.00%-7.50%	Trend Rates 4.00%-8.50%	1% Increase 5.00%-9.50%
Net OPEB liability	\$ 1,132,939	\$ 1,414,901	\$ 1,798,222

OPEB Plan Fiduciary Net Position

The plan is unfunded, so the OPEB plan's fiduciary net position is \$0.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City will recognize OPEB expense of \$124,398. On September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual experience	\$ -	\$ -
Changes of assumptions	-	164,159
Employer contributions subsequent to measurement date	13,995	-
Net difference between Projected and Actual earnings on OPEB Plan investments	-	-
Total	<u>\$ 13,995</u>	<u>\$ 164,159</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:

2019	\$ (20,520)
2020	(20,520)
2021	(20,520)
2022	(20,520)
2023	(20,520)
Thereafter	<u>(61,559)</u>
	<u>\$ (164,159)</u>

10. DEFERRED COMPENSATION 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.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

10. DEFERRED COMPENSATION PLANS – CONTINUED

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 7% of these employees' base wage for the first three years of employment and 10% thereafter to the 401(A) plan with vesting occurring over seven (7) years.

For the year ending September 30, 2018, contributions made to these plans by plan members totaled \$188,823 and contributions made by the District totaled \$70,964.

11. 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.

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

12. OPERATING LEASES

Lessor

The District receives rental income from leasing land, buildings, and other structures under noncancelable operating agreements. Rental income recognized under these leases was \$49,858 for the year ended September 30, 2018.

Future minimum lease payments are as follows:

Year Ending September 30	Governmental Activities
2019	\$ 47,407
2020	32,407
2021	11,407
Total minimum lease payments	<u>\$ 91,221</u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

12. OPERATING LEASES – CONTINUED

Lessee

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.

13. 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, 2018:

	Beginning Balance As Restated	Net Change	Ending Balance
Governmental Activities			
Compensated absences	\$ 1,602,740	\$ 285,661	\$ 1,888,401
Other postemployment benefits			1,414,901
Total Governmental Activities	<u>\$ 1,602,740</u>	<u>\$ 285,661</u>	<u>\$ 3,303,302</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	\$ -	\$ 1,888,401	\$ 1,888,401
Other Post Employment Benefits			
Total long-term portion	-	1,414,901	1,414,901
Total Governmental-Type Activities	<u>\$ -</u>	<u>\$ 3,303,302</u>	<u>\$ 3,303,302</u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

14. CHANGES IN ACCOUNTING PRINCIPLE – RESTATEMENT OF NET POSITION

The GASB issued Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The scope of the statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The impact of the District's adoption of GASB 75 during the current fiscal year requires it to restate the beginning net position for the governmental activities in the District's government-wide financial statements.

The table below summarizes the components of the restatement of net position as of October 1, 2017:

	Governmental Activities
Net position, as previously reported	\$ 18,733,790
Effect of restatement	<u>593,303</u>
Net position, restated	<u><u>\$ 19,327,093</u></u>

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,	2018	2017	2016	2015	2014
	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	\$ 1,571,972	\$ 1,513,160	\$ 1,861,588	\$ 1,779,595	\$ 1,647,773
Interest	2,925,711	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	4,899	422,953	-	-	-
Differences between expected and actual experience	292,955	712,281	(786,803)	-	-
Changes of assumptions	2,773,063	-	(3,878,418)	-	-
Contributions – buy back	103,630	-	89,010	-	-
Benefit payments, including refunds of employee contributions	(422,780)	(266,641)	(196,017)	(318,562)	(124,883)
Net change in total pension liability	7,249,450	4,515,979	(140,638)	3,868,850	3,518,237
Total pension liability – beginning	35,210,809	30,694,830	30,835,468	26,966,618	23,448,381
Total pension liability – ending (a)	\$ 42,460,259	\$ 35,210,809	\$ 30,694,830	\$ 30,835,468	\$ 26,966,618
Plan Fiduciary Net Position					
Contributions – employer	\$ 430,000	\$ 1,151,968	\$ 1,210,923	\$ 1,354,591	\$ 1,210,886
Contributions – state	649,588	686,162	756,247	704,774	632,791
Contributions – employee	421,681	421,011	405,366	397,215	438,276
Contributions – buy back	103,630	-	89,010	-	-
Net investment income	5,320,373	3,664,067	182,373	3,110,572	3,346,835
Benefit payments, including refunds of employee contributions	(422,780)	(266,641)	(196,017)	(318,562)	(124,883)
Administrative expenses	(63,823)	(42,840)	(43,231)	(30,188)	(25,992)
Net change in plan fiduciary net position	6,438,669	5,613,727	2,404,671	5,218,402	5,477,913
Plan fiduciary net position – beginning	39,284,293	33,670,566	31,265,895	26,047,493	20,569,580
Plan fiduciary net position – ending (b)	45,722,962	39,284,293	33,670,566	31,265,895	26,047,493
Net pension liability (asset) – ending (a) – (b)	(3,262,703)	(4,073,484)	(2,975,736)	(430,427)	919,125
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.68%	111.57%	109.69%	101.40%	96.59%
Covered employee payroll ¹	\$ 6,383,199	\$ 6,237,566	\$ 6,438,507	\$ 5,790,475	\$ 5,638,637
Net pension liability (asset) as a percentage of covered employee payroll	-51.11%	-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)**

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 measurement date 9/30/2017, as required by Chapter 2015-157, Laws of Florida, the assumed rates of mortality have been changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report. Additionally, the investment rate of return was lowered from 8.00% to 7.50%.

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 1,162,676	\$ 1,725,074	\$ 1,787,485	\$ 1,931,153	\$ 1,787,448
Contributions in relation to the actuarially determined contributions	<u>1,074,689</u>	<u>1,814,944</u>	<u>1,787,485</u>	<u>1,931,153</u>	<u>1,787,448</u>
Contribution deficiency (excess)	<u>\$ 87,987</u>	<u>\$ (89,870)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll*	\$ 6,383,199	\$ 6,237,566	\$ 6,438,507	\$ 5,790,475	\$ 5,638,637
Contributions as a percentage of covered employee payroll	16.84%	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, 2015

Notes: Actuarially determined contribution rates are calculated as of October 1, which is 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 10/01/2015 Valuation)

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.

Disabled Lives:

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

Male: 60% RP200 Disabled Male setback four years / 40% Annuitant White Collar

The above stated mortality rates are required by law, effective October 1, 2016 and have been early implemented in conjunction with the 10/01/2015 actuarial valuation.

Interest Rate: 8.0% 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. It is assumed that 75% of disablements are service related.

Termination Rates: See table below.

Salary Increases:	<u>Service</u>	<u>Increase</u>
	0	12%
	1	12%
	2	11%
	3	11%
	4	10%
	5	9%
	6	8%
	7	7%
	8	6%
	9	5%
	10+	4%

**SOUTH WALTON FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF CONTRIBUTIONS – CONTINUED
(UNAUDITED)**

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, 2018
(UNAUDITED)**

	<u>9/30/2017</u>	<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	13.49%	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 CHANGES IN NET OPEB
LIABILITY (ASSET) AND RELATED RATIOS
(UNAUDITED)**

Fiscal year ending September 30,	2018
Measurement date ending September 30,	2017
Total Pension Liability	
Service cost	\$ 111,340
Interest	47,573
Changes of assumptions	(184,679)
Benefit payments	(5,329)
Net change in total pension liability	(31,095)
Total pension liability – beginning	1,445,996
Total pension liability – ending	<u><u>\$ 1,414,901</u></u>
Plan Fiduciary Net Position	
Covered employee payroll ¹	\$ 7,792,770
Sponsor's Total OPEB Liability as a percentage of covered employee payroll	18.16%

¹ FY 2018 Covered Payroll, projected based on actual FY 2017 Covered Payroll

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

Changes of assumptions:

Changes of Assumptions and other inputs reflects the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal year ending September 30, 2018:	3.64%
Fiscal year ending September 30, 2017:	3.06%

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, 2018.

(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, 2018.

Destin, Florida
January 14, 2019

**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, 2018, 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 14, 2019.

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.

A handwritten signature in black ink that reads "Warren Averett, LLC". The signature is written in a cursive, flowing style.

Destin, Florida

January 14, 2019

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, 2018, and have issued our report thereon dated January 14, 2019.

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 of compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports are dated January 14, 2019, 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.b. 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.

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.

A handwritten signature in black ink that reads "Warren Averett, LLC". The signature is written in a cursive, flowing style.

Destin, Florida
January 14, 2019