

SOUTH WALTON FIRE DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2022

**SOUTH WALTON FIRE DISTRICT
TABLE OF CONTENTS
SEPTEMBER 30, 2022**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
<i>Governmental Fund Financial Statements</i>	
Balance Sheet	13
Reconciliation of the Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balance	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual	17
<i>Fiduciary Fund Financial Statements</i>	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Notes to the Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Pension and Other Post Employment Benefit Schedules</i>	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	48
Notes to the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	49
Schedule of Contributions	50
Notes to the Schedule of Contributions	51
Schedule of Investment Returns	54
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios	55
COMPLIANCE SECTION	
Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	56
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 <i>Government Auditing Standards</i>	57
Management Letter	59

INDEPENDENT AUDITORS' REPORT

To the Board of Fire Commissioners
South Walton Fire District

Opinions

We have audited the accompanying financial statements of the governmental activities, the general fund and the pension trust fund of the South Walton Fire District (the District), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund and the pension trust fund of the District, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 31, 2023 on our consideration of the 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 the District's internal control over financial reporting and compliance.

Warren Averett, LLC

Destin, Florida
January 31, 2023

**SOUTH WALTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

As management of South Walton Fire District (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended September 30, 2022.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$46.13 million (net position), which represents an increase of \$7.94 million (or 20.79%) over the prior year. Of this amount, \$17.36 million represents investments in capital assets (e.g., land, buildings, machinery and equipment); \$3.11 million represents impact fees restricted by Florida statutes for items needed as a result of the expansion of District activities; and \$25.66 million is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's governmental fund reported an ending fund balance of \$26.59 million, an increase of \$6.99 million.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$6.99 million or 29.96% of the total General Fund expenditures, which is available for spending at the District's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis intends to serve as an introduction to the District's basic financial statements. The 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 the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the 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 the 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.

**SOUTH WALTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

The government-wide financial statements distinguish and demonstrate that, as a governmental activity, The District is principally supported by property tax, intergovernmental and service revenues. The governmental activities of the 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. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the 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.

The 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.

The 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 the 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.

**SOUTH WALTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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 the District's progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees. This required supplementary information is found as listed in the table of contents 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 the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$46.13 million (net position) as of September 30, 2022, as reported in Table 1.

The largest portion of the District's net position, \$17.36 million or 37.63%, 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.

The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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 District had no such debt as of September 30, 2022.

**SOUTH WALTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

**Table 1
SOUTH WALTON FIRE DISTRICT
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2022 AND 2021
(In Thousands of Dollars, Rounded)**

	Governmental Activities	
	2022	2021
Current, restricted, and other assets	\$ 33,220	\$ 20,853
Capital assets	17,355	17,643
Total assets	50,575	38,496
Deferred outflows of resources	9,400	7,858
Long-term liabilities outstanding	5,175	4,176
Other liabilities	929	513
Total liabilities	6,104	4,689
Deferred inflows of resources	7,746	3,474
Net investment in capital assets	17,355	17,643
Restricted	3,109	1,244
Unrestricted	25,661	19,304
Total net position	\$ 46,125	\$ 38,191

Deferred outflows and deferred inflows of resources are related to pensions and OPEB plans.

The balance of unrestricted net position of \$25.66 million may be used to meet the District's ongoing obligations to citizens and creditors.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the District's net position by \$7.94 million, as reported in Table 2. This increase is primarily attributable to an increase in taxable assessed property values within the District and increases in charges for services during the year ending September 30, 2022, as compared to the prior year.

**SOUTH WALTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

**Table 2
SOUTH WALTON FIRE DISTRICT
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(In Thousands of Dollars, Rounded)**

	Governmental Activities	
	2022	2021
REVENUES		
Program revenues		
Charges for services	\$ 7,544	\$ 6,562
Operating grants and contributions	23	120
Capital grants and contributions	1,864	2,082
General revenues		
Property taxes	22,217	19,629
State revenue sharing	24	22
Intergovernmental	35	-
Investment earnings (losses)	(106)	14
Other revenue	71	146
Total revenues	<u>31,672</u>	<u>28,575</u>
EXPENSES		
Current		
Public safety	<u>23,737</u>	<u>22,256</u>
Total expenses	<u>23,737</u>	<u>22,256</u>
INCREASE IN NET POSITION	7,935	6,319
NET POSITION AT BEGINNING OF YEAR	<u>38,191</u>	<u>31,872</u>
NET POSITION AT END OF YEAR	<u>\$ 46,126</u>	<u>\$ 38,191</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the 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.

**SOUTH WALTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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 single family home development in South Walton County exceeding expectations.
- 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 unavoidable postponements of capital expenditures such as construction complications, supply chain delay and payroll-related expenditures being less than expected. In addition, retirement costs were below budget due to a higher than anticipated contribution to the pension fund from the State Insurance Premium Tax Revenues. County tax collector collection fees were also lower than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets for its governmental activities as of September 30, 2022, totaled \$17.36 million (net of accumulated depreciation and amortization). Capital assets include land, buildings, improvements, machinery and equipment, software, etc. The additions to the District's capital assets for the current fiscal year were \$1,363,002, which was primarily for new ambulances and other vehicles, radios and EMS equipment. The net book value of the District's capital assets disposed was \$0, and depreciation and amortization expense in the current year totaled \$1,651,056.

**SOUTH WALTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

**Table 3
SOUTH WALTON FIRE DISTRICT
CAPITAL ASSETS
(Net of Depreciation and Amortization)
AS OF SEPTEMBER 30, 2022 AND 2021**

	Governmental Activities	
	2022	2021
Land	\$ 671,155	\$ 671,155
Buildings	10,723,252	11,117,948
Improvements other than buildings	116,614	102,950
Furniture and equipment	1,578,289	1,479,055
Trucks and automobiles	3,818,125	3,607,815
Intangible assets	68,482	77,893
Construction in progress	379,349	586,504
Total	\$ 17,355,266	\$ 17,643,320

Additional information on the capital assets of the District can be found in Note 6 of this report.

Long-Term Liabilities

At the end of the current fiscal year, the District had total long-term liabilities outstanding of \$2.39 million, which was comprised entirely of compensated absences. It should be noted that \$850,000 of the District's governmental fund balance has been assigned for compensated absences. The District had no debt as of September 30, 2022.

**Table 4
SOUTH WALTON FIRE DISTRICT
LONG-TERM LIABILITIES OUTSTANDING
AS OF SEPTEMBER 30, 2022 AND 2021**

	Governmental Activities	
	2022	2021
Compensated absences	\$ 2,390,920	\$ 2,170,497

The District's long-term liabilities increased by \$220,423 during the 2022 fiscal year, which is attributable to the net increase in compensated absences. Additional information on the District's long-term liabilities can be found in Note 13 of this report.

**SOUTH WALTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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 the 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 the District is property taxes, which were implemented in 1997. The District's millage rate for the current fiscal year and preceding four fiscal years was as follows:

Fiscal year ended <u>September 30,</u>	Ad Valorem <u>Millage Rate</u>
2022	1.0000
2021	1.0000
2020	1.0000
2019	1.0000
2018	.9799

Current trends and forecasts indicate the District will continue to see an increase in growth with higher demands for service. The State's improving economic conditions are expected to result in an upward reassessment of property values within the District in the near future. The adopted budget for fiscal year 2023 estimates property tax revenues to increase by approximately 24.01%, as result of an increase in the taxable assessed value of property within the District. The District elected to set its millage rate for fiscal year 2023 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 e-mail to the fiscal agent at cmartin@swfd.org.

**SOUTH WALTON FIRE DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	<u>Primary Government</u>
ASSETS	
Cash and cash equivalents	\$ 19,615,051
Investments	4,507,535
Receivables, EMS	611,959
Receivables, other	18,367
Due from other governments	238,235
Prepaid expenses	32,794
Restricted assets	
Cash and cash equivalents	3,109,026
Capital assets	
Non-depreciable	1,050,504
Depreciable, net	16,304,762
Net pension asset	<u>5,086,750</u>
TOTAL ASSETS	<u>50,574,983</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>9,400,127</u>
LIABILITIES	
Accounts payable	295,164
Accrued liabilities	633,846
Non-current liabilities	
Due in more than one year	
Compensated absences	2,390,920
Other post-employment benefits	<u>2,783,754</u>
TOTAL LIABILITIES	<u>6,103,684</u>
DEFERRED INFLOWS OF RESOURCES	<u>7,746,243</u>
NET POSITION	
Net investment in capital assets	17,355,266
Restricted – impact fees	3,109,026
Unrestricted	<u>25,660,891</u>
TOTAL NET POSITION	<u><u>\$ 46,125,183</u></u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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	<u>\$ 23,738,234</u>	<u>\$ 7,544,490</u>	<u>\$ 23,161</u>	<u>\$ 1,864,171</u>	\$ (14,306,412)
General Revenues					
Taxes					
					22,216,874
					23,539
					34,600
					(106,148)
					20,000
					<u>51,124</u>
					<u>22,239,989</u>
CHANGE IN NET POSITION					7,933,577
NET POSITION AT BEGINNING OF YEAR					<u>38,191,606</u>
NET POSITION AT END OF YEAR					<u>\$ 46,125,183</u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
SEPTEMBER 30, 2022**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 19,615,051
Investments	4,507,535
Receivables, EMS	611,959
Receivables, other	18,367
Due from other governments	238,235
Prepaid expenses	32,794
Restricted assets	
Cash and cash equivalents	3,109,026
TOTAL ASSETS	\$ 28,132,967
LIABILITIES	
Accounts payable	\$ 295,164
Accrued liabilities	633,846
	929,010
DEFERRED INFLOWS OF RESOURCES	
Unavailable resources	611,959
FUND BALANCE	
Nonspendable	32,794
Restricted for capital growth initiatives	3,109,026
Assigned for capital outlay	9,356,064
Assigned for compensatory time off	850,000
Assigned for contingencies	6,254,000
Unassigned	6,990,114
Total fund balance	26,591,998
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 28,132,967

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, 2022**

Fund balance – total governmental fund (page 13)		\$ 26,591,998
--	--	---------------

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	\$ 1,050,504	
Governmental depreciable and amortizable assets	29,971,599	
Less accumulated depreciation and amortization	<u>(13,666,837)</u>	
		17,355,266

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		611,959
--	--	---------

Other assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.

Net pension asset (liability)		5,086,750
-------------------------------	--	-----------

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	9,400,127	
Deferred inflows of resources	<u>(7,746,243)</u>	
		1,653,884

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

Compensated absences	(2,390,920)	
Other postemployment benefits	<u>(2,783,754)</u>	
		<u>(5,174,674)</u>

Net position of governmental activities (page 11)		<u>\$ 46,125,183</u>
---	--	----------------------

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, 2022**

	General Fund
REVENUES	
Taxes	\$ 22,216,874
Intergovernmental	3,361,207
Impact fees	1,864,171
Charges for services	2,902,032
Investment losses	(106,148)
Miscellaneous	68,799
Total revenues	30,306,935
EXPENDITURES	
Current	
Public safety	21,970,780
Capital outlay	1,363,002
Total expenditures	23,333,782
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,973,153
OTHER FINANCING SOURCES	
Proceeds from sale of capital assets	20,000
NET CHANGE IN FUND BALANCE	6,993,153
FUND BALANCE AT BEGINNING OF YEAR	19,598,845
FUND BALANCE AT END OF YEAR	\$ 26,591,998

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, 2022**

Net change in fund balance – governmental fund (page 15)		\$ 6,993,153
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Expenditures for capital assets	\$ 1,363,002	
Less current year depreciation and amortization	<u>(1,651,056)</u>	(288,054)
<p>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.</p>		
Proceeds from sale of capital assets	(20,000)	
Gain on sale of capital assets	<u>20,000</u>	-
<p>EMS revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.</p>		
		1,344,876
<p>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.</p>		
Change in net pension asset and related deferrals	1,731,630	
Change in other post-employment benefits	(166,820)	
Change in long-term compensated absences	(220,423)	
Bad debt expense related to EMS receivables	<u>(1,460,785)</u>	(116,398)
Change in net position of governmental activities (page 12)		<u><u>\$ 7,933,577</u></u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget – Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$21,812,430	\$21,812,430	\$22,216,874	\$ 404,444
Intergovernmental	2,570,519	3,574,794	3,361,207	(213,587)
Impact fees	1,550,000	1,550,000	1,864,171	314,171
Charges for services	2,389,608	2,389,608	2,902,032	512,424
Investment loss	-	-	(106,148)	(106,148)
Miscellaneous	54,104	54,104	68,799	14,695
Total revenues	<u>28,376,661</u>	<u>29,380,936</u>	<u>30,306,935</u>	<u>925,999</u>
EXPENDITURES				
Current				
Public safety	25,013,823	25,818,098	21,970,780	3,847,318
Capital outlay	2,218,763	2,418,763	1,363,002	1,055,761
Total expenditures	<u>27,232,586</u>	<u>28,236,861</u>	<u>23,333,782</u>	<u>4,903,079</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,144,075	1,144,075	6,973,153	5,829,078
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	12,000	12,000	20,000	8,000
NET CHANGE IN FUND BALANCE	1,156,075	1,156,075	6,993,153	5,837,078
FUND BALANCE AT BEGINNING OF YEAR	<u>19,598,845</u>	<u>19,598,845</u>	<u>19,598,845</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u><u>\$20,754,920</u></u>	<u><u>\$20,754,920</u></u>	<u><u>\$26,591,998</u></u>	<u><u>\$ 5,837,078</u></u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022**

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 1,595,669
Investments	64,312,284
Interest receivable	76,594
Due from General Fund	<u>194,448</u>
TOTAL ASSETS	66,178,995
LIABILITIES	
Accounts payable	<u>42,095</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 66,136,900</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, 2022**

	Pension Trust Fund
ADDITIONS	
Contributions	
Employer	\$ 1,695,834
Plan members	649,784
State of Florida	1,013,142
Total contributions	3,358,760
Loss on investment	(7,281,689)
Less investment expense	(402,926)
Net loss on investment	(7,684,615)
Total loss	(4,325,855)
DEDUCTIONS	
Administrative expenses	194,714
Distributions to retirees	1,976,845
Distributions to terminated employees	1,199
Total deductions	2,172,758
CHANGE IN FIDUCIARY NET POSITION	(6,498,613)
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	72,635,513
End of year	\$ 66,136,900

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 in 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.

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, 2022, the 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, 2022**

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. The Pension Trust Fund recognizes 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 is 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, 2022**

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

Measurement Focus and Basis of Accounting – Continued

The following is the property tax calendar:

Lien Date	January 1 st
Levy Date	November 1 st
Due Date	November 1 st
Delinquent Date	April 1 st

Discounts of 1% for each month taxes are paid prior to March 1st 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 2022 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, 2022**

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 Fund Balance

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 allowable investments, 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's cash and investments are stated at fair value.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance – 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 emergency medical services receivables greater than 120 days outstanding into a "Pending Collections" status, turns them over to a contracted collection agency, and removes them from the accounts receivable. If payment is subsequently collected by the collection agency, the District recognizes bad debt recovery income. Accordingly, the District has not recorded an allowance for any uncollectible trade accounts as of September 30, 2022.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column 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 acquisition value on the date of donation.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance – 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 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

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, 2022, the District's compensated absences liability is all long-term.

On October 11, 2021, the District ratified the 2022 through 2024 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, 2022**

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance – 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, 2022**

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

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

Compensated Absences – Continued

According to the 2022-2024 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:

Employment Date	PTO Carry Over Maximum
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, 2022, was \$2,390,920.

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.

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.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

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

Deferred Outflows/Inflows of Resources – Continued

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.

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 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.

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 nor committed. Intent is expressed by the Board of Fire Commissioners or 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.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

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

Net Position

Net position in the government-wide financial statements is categorized as net investment in capital assets, restricted, or unrestricted. The net investment in capital assets represents net position related to property and equipment, net of any related debt. Restricted net position represents the net position restricted by enabling legislation. The District considers restricted amounts to be spent first when both restricted and unrestricted resources are available.

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.

Subsequent Events

Management has evaluated subsequent events and transactions that occurred between September 30, 2022 through January 31, 2023, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

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 to hear 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.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. As of September 30, 2022, the District reported encumbrances of \$0 in the General Fund.

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 \$22,811,531, all of which was held by a qualified public depository under Chapter 280, Florida Statutes.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

3. DEPOSITS AND INVESTMENTS – CONTINUED

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, 2022, investments held by the General Fund and Pension Trust Fund were as follows:

General Fund	\$ 4,507,535
Pension Trust Fund	<u>64,312,284</u>
	<u><u>\$ 68,819,819</u></u>

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. As of September 30, 2022, the District held the following investments and related maturities:

	<u>Fair Value</u>	<u>INVESTMENT MATURITIES (YEARS)</u>					
		<u><1</u>	<u>1-5</u>	<u>5-10</u>	<u>10-15</u>	<u>15-20</u>	<u>20-25</u>
Investments subject to interest rate risk							
U.S. Treasury	\$ 9,826,657	\$ 1,437,230	\$ 2,250,218	\$ 3,876,443	\$ -	\$ 1,480,852	\$ 781,914
U.S. Government Agencies	166,213	34,302	131,911	-	-	-	-
CMOs and asset-backed securities	1,561,540	470	43	-	134,348	1,426,679	-
Corporate bonds and other debt	4,961,313	1,676,151	596,886	2,688,276	-	-	-
	<u>16,515,723</u>	<u>\$ 3,148,153</u>	<u>\$ 2,979,058</u>	<u>\$ 6,564,719</u>	<u>\$ 134,348</u>	<u>\$ 2,907,531</u>	<u>\$ 781,914</u>
Investments not subject to interest rate risk							
Mutual and exchange-traded funds	38,169,390						
Commingled real estate funds	<u>14,134,706</u>						
Total	<u><u>\$ 68,819,819</u></u>						

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

Credit Risk

The pension trust fund was in compliance with its investment policies described in Note 1 regarding credit risk as of September 30, 2022. 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.

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, 2022.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

4. FAIR VALUE OF INVESTMENTS – CONTINUED

The following table presents the investments carried at fair value on September 30, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
U.S. Treasury securities	\$ 9,826,657	\$ 9,826,657	\$ -	\$ -
U.S. Government agency obligations	166,213	-	166,213	-
CMOs and asset-backed securities	1,561,540	-	1,561,540	-
Corporate bonds	<u>7,321,293</u>	<u>-</u>	<u>7,321,293</u>	<u>-</u>
Total debt securities	18,875,703	9,826,657	9,049,046	-
Equity securities and commingled funds				
Mutual and exchange-traded funds	<u>35,809,410</u>	<u>-</u>	<u>35,809,410</u>	<u>-</u>
	54,685,113	<u>\$ 9,826,657</u>	<u>\$ 44,858,456</u>	<u>\$ -</u>
Investments measured at net asset value (NAV)				
Private-equity funds	6,706,693			
Commingled real estate investment funds	<u>7,428,013</u>			
Total investments measured at fair value	<u>\$ 68,819,819</u>			

5. RECEIVABLES

Receivables at September 30, 2022, were as follows:

	<u>Governmental Activities</u>
Receivables	
EMS - ambulance and rescue services	\$ 611,959
Other receivables	<u>18,367</u>
Total Receivables	<u>\$ 630,326</u>
Due From Other Governments	
Due from the County Tax Collector for excess fees on prior year taxes	\$ 203,635
Due from the State for Hurricane Michael personnel deployments	25,367
Due from the State for Chipola Complex Wildfire	<u>9,233</u>
Total Due From Other Governments	<u>\$ 238,235</u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, 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	\$ 671,155	\$ -	\$ -	\$ 671,155
Construction in progress	586,504	379,349	(586,504)	379,349
Total capital assets not being depreciated and amortized	<u>1,257,659</u>	<u>379,349</u>	<u>(586,504)</u>	<u>1,050,504</u>
Capital assets being depreciated and amortized				
Buildings	15,235,203	5,370	-	15,240,573
Improvements other than buildings	280,152	28,727	-	308,879
Furniture and equipment	3,781,858	461,187	(3,354)	4,239,691
Trucks and automobiles	9,138,094	479,354	399,222	10,016,670
Intangibles	156,771	9,015	-	165,786
Total capital assets being depreciated and amortized	<u>28,592,078</u>	<u>983,653</u>	<u>395,868</u>	<u>29,971,599</u>
Less accumulated depreciation and amortization				
Buildings	(4,117,254)	(400,067)	-	(4,517,321)
Improvements other than buildings	(177,202)	(15,063)	-	(192,265)
Furniture and equipment	(2,302,804)	(361,952)	3,354	(2,661,402)
Trucks and automobiles	(5,530,279)	(855,548)	187,282	(6,198,545)
Intangibles	(78,878)	(18,426)	-	(97,304)
Total accumulated depreciation and amortization	<u>(12,206,417)</u>	<u>(1,651,056)</u>	<u>190,636</u>	<u>(13,666,837)</u>
Total capital assets being depreciated and amortized, net	<u>16,385,661</u>	<u>(667,403)</u>	<u>586,504</u>	<u>16,304,762</u>
Governmental Activities, Net	<u><u>\$ 17,643,320</u></u>	<u><u>\$ (288,054)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,355,266</u></u>

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

Governmental Activities	
Public safety	<u>\$ 1,651,056</u>
Total Depreciation Expense – Governmental Activities	<u><u>\$ 1,651,056</u></u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

7. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As of September 30, 2022, the District had various components of deferred outflows of resources and deferred inflows of resources as follows:

	<u>Governmental Activities</u>
Deferred outflows of resources	
Pension related	
Contributions subsequent to the measurement date	\$ 2,708,976
Changes of assumptions	4,256,402
Differences between expected and actual experience	<u>1,456,478</u>
Total pension related deferred outflows of resources	<u>8,421,856</u>
OPEB related	
Contributions subsequent to the measurement date	91,225
Changes of assumptions	618,278
Differences between expected and actual experience	<u>268,768</u>
Total deferred outflows of resources	<u><u>\$ 9,400,127</u></u>
Deferred inflows of resources	
Pension related	
Net differences between projected and actual earnings on investments	\$ 6,093,109
Changes of assumptions	1,081,270
Differences between expected and actual experience	<u>295,121</u>
Total pension related deferred inflows of resources	<u>7,469,500</u>
OPEB related	
Changes of assumptions	<u>276,743</u>
Total deferred inflows of resources	<u><u>\$ 7,746,243</u></u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2020, updated to September 30, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	27
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	8
Active Plan Members	92
	127

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, 2022**

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, 2021, and the measurement period for the pension expense was October 1, 2020 to September 30, 2021. The reporting period is October 1, 2021 through September 30, 2022.

The District's net pension liability (asset) was measured as of September 30, 2021. 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, 2020, updated to September 30, 2021, using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate Healthy Active Lives:

Female: PubS.H-2010 for Employees, set forward one year.

Male: PubS.H-2010 for Employees, set forward one year.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

Net Pension Liability (Asset) – Continued
Actuarial Assumptions – Continued

Mortality Rate Healthy Retiree Lives:

Female: PubS.H-2010 (Above Median) for Healthy Retirees, set forward one year.

Male: PubS.H-2010 (Above Median) for Healthy Retirees, set forward one year.

The date of the most recent experience study for which significant assumptions are based upon was dated August 19, 2019.

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 2022, 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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	40.00%	7.50%
International equity	15.00%	8.50%
Broad market fixed income	15.00%	2.50%
Global fixed income	5.00%	3.50%
Real estate	10.00%	4.50%
Infrastructure	5.00%	4.50%
Private Equity	10.00%	8.50%
Total	<u>100.00%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 7.00%. 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, 2022**

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, 2022, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2021 (Valuation date of 10/01/2020)	\$ 60,911,302	\$ 60,923,933	\$ (12,631)
Changes:			
Service cost	2,397,636	-	2,397,636
Interest	4,508,042	-	4,508,042
Share plan allocation	164,589	-	164,589
Differences between expected and actual experience	(137,456)	-	(137,456)
Change in assumptions	1,975,312	-	1,975,312
Contributions – employer	-	1,393,727	(1,393,727)
Contributions – state	-	968,968	(968,968)
Contributions – employee	-	479,736	(479,736)
Net investment income	-	11,192,948	(11,192,948)
Benefit payments, including refunds of employee contributions	(2,258,098)	(2,258,098)	-
Administrative expenses	-	(53,137)	53,137
Net changes	6,650,025	11,724,144	(5,074,119)
Balances at September 30, 2022 (Measurement date of 09/30/2021)	<u>\$ 67,561,327</u>	<u>\$ 72,648,077</u>	<u>\$ (5,086,750)</u>

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

	1% Decrease	Current	1% Increase
	6.00%	Discount Rate 7.00%	8.00%
Sponsor's net pension liability (asset)	\$ 3,856,651	\$ (5,086,750)	\$ (12,479,708)

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, 2022**

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

For the year ended September 30, 2022, the District recognized pension expense of \$977,346. On September 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District and state contributions subsequent to the measurement date	\$ 2,708,976	\$ -
Net difference between projected and actual earnings on pension plan investments	-	6,093,109
Changes of assumptions	4,256,402	1,081,270
Differences between expected and actual experience	<u>1,456,478</u>	<u>295,121</u>
Total	<u>\$ 8,421,856</u>	<u>\$ 7,469,500</u>

Deferred outflows of resources related to pension of \$2,708,976 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, 2022. 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:	
2023	\$ (803,499)
2024	(595,872)
2025	(636,293)
2026	(878,206)
2027	473,135
Thereafter	<u>684,115</u>
	<u>\$ (1,756,620)</u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 Section 112.0801, Florida Statutes.

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, 2020, updated to September 30, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	8
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	116
	124

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. Medicare is assumed to become primary upon attainment of age 65.

Total OPEB Liability

The measurement date is September 30, 2021. The measurement period for OPEB expense is October 1, 2020 to September 30, 2021. The reporting period is October 1, 2021 to September 30, 2022.

The District's Total OPEB Liability was measured as of September 30, 2021.

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	2.43%
Initial Trend Rate	7.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	53

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

Total OPEB Liability – Continued

All mortality rates were based on the Pub-2010 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2021 Florida Retirement System (FRS) valuation report. All tables include fully generational adjustments for mortality improvements using gender-specific improvement scale MP-2018.

Mortality - Active Lives

For female (non-special risk) lives, the headcount-weighted PubG-2010 female employee table was used. For female special risk lives, the headcount-weighted PubS-2010 female employee table, set forward one year, was used. For male (non-special risk) lives, the headcount-weighted PubG-2010 male employee table, set back one year, was used. For male special risk lives, the headcount-weighted PubS-2010 male employee table, set forward one year, was used.

Mortality - Inactive Healthy Lives

For female (non-special risk) lives, the headcount-weighted PubG-2010 female above-median income healthy retiree table was used. For female special risk lives, the headcount-weighted PubS-2010 female above-median income healthy retiree table, set forward one year, was used. For male (non-special risk) lives, the headcount-weighted PubG-2010 male above-median income healthy retiree table, set back one year, was used. For male special risk lives, the headcount-weighted PubS-2010 male above-median income healthy retiree table, set forward one year, was used.

Mortality - Disabled Lives

For female (non-special risk) lives, the headcount-weighted PubG-2010 female disabled retiree table, set forward three years, was used. For female special risk lives, an 80% headcount-weighted PubG-2010 female disabled retiree, 20% headcount-weighted PubS-2010 female disabled retiree blended table was used.

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 2.43%. The high-quality municipal bond rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices as of the measurement date. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – 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, 2021	\$ 2,004,695	\$ -	\$ 2,004,695
Changes for the year:			
Service cost	156,835	-	156,835
Interest	45,970	-	45,970
Differences between Expected and Actual experience	159,534	-	159,534
Changes of assumptions	443,584	-	443,584
Benefit payments	(26,864)		(26,864)
Net changes	<u>779,059</u>	<u>-</u>	<u>779,059</u>
Reporting period ending September 30, 2022	<u><u>\$ 2,783,754</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,783,754</u></u>

The difference between expected and actual experience reflects the impact of changes to the census data from the prior valuation to the valuation as of September 30, 2021. Changes in assumptions reflect a change in the discount rate from 2.14% for the reporting period ended September 30, 2021, to 2.43% for the reporting period ended September 30, 2022. Also reflected as assumption changes are updated health care costs and premiums, updated health care cost trends rates, updated termination and disability rates (90% assumed in line of duty), and updated mortality rates.

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

The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>1.43%</u>	<u>2.43%</u>	<u>3.43%</u>
Net OPEB liability	\$ 3,066,955	\$ 2,783,754	\$ 2,533,031

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

Change in Net OPEB Liability – Continued

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

The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare costs trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
	3.00%-6.50%	4.00%-7.50%	5.00%-8.50%
Net OPEB liability	\$ 2,484,601	\$ 2,783,754	\$ 3,131,098

OPEB Plan Fiduciary Net Position

The plan is unfunded, so the OPEB plan has no fiduciary net position.

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

For the year ended September 30, 2022, the District recognized OPEB expense of \$258,045. On September 30, 2022, the District 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	\$ 268,768	\$ -
Changes of assumptions	618,278	276,743
Employer contributions subsequent to measurement date	91,225	-
Total	\$ 978,271	\$ 276,743

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:

2023	\$ 52,240
2024	52,240
2025	52,240
2026	52,241
2027	72,756
Thereafter	328,586
	\$ 610,303

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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.

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, 2022, contributions made to these plans by plan members totaled \$467,265 and contributions made by the District totaled \$167,156.

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 program has two plans. One 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. The other plan offers a health savings account with a deductible of \$1,500 per individual and \$3,000 per family and a maximum out-of-pocket cost of \$4,500 per individual and \$9,000 per family, if network providers are used. Under these plans, 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.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

12. LAND LEASE

In 1999, the District entered into a land lease agreement with the Board of Trustees of the Internal Improvement Trust Fund of the State of Florida. This agreement allows the District to use two lots of land on Mack Bayou Road with the only consideration from the District being the establishment and operation of a fire department, which was satisfied by the construction and operation of the Mack Bayou station.

For purposes of applying GASB Statement 87, leases, a lease is defined as a contract that conveys control of the right to use another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange or exchange like transaction. The District’s agreement to use the two lots of land does not meet the definition of a lease under GASB 87.

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, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Compensated absences	\$ 2,170,497	\$ 1,910,718	\$ (1,690,295)	\$ 2,390,920
Total Governmental Activities	\$ 2,170,497	\$ 1,910,718	\$ (1,690,295)	\$ 2,390,920

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

13. LONG-TERM LIABILITIES – CONTINUED

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	\$ -	\$ 2,390,920	\$ 2,390,920
Total Governmental-Type Activities	\$ -	\$ 2,390,920	\$ 2,390,920

14. SUBSEQUENT EVENT

In February 2023, the District entered into a five-year agreement with Walton County for beach safety. The contract calls for compensation of \$2,520,000 and \$3,005,500 for 2023 and 2024, respectively. For years 2025-2027 total compensation shall be the base amount from the immediately preceding year plus a 4% increase. The agreement begins March 1, 2023 and will continue through February 28, 2028 with the option to renew for an additional five-year period.

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,	2022	2021	2020	2019	2018	2017	2016	2015	2014
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability									
Service cost	\$ 2,397,636	\$ 2,209,986	\$ 1,978,247	\$ 1,782,394	\$ 1,571,972	\$ 1,513,160	\$ 1,861,588	\$ 1,779,595	\$ 1,647,773
Interest	4,508,042	4,045,880	3,702,378	3,300,501	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	164,589	69,284	42,799	20,864	4,899	422,953	-	-	-
Change in benefits	-	-	(4,505)						
Differences between expected and actual experience	(137,456)	664,267	501,045	833,461	292,955	712,281	(786,803)	-	-
Changes of assumptions	1,975,312	1,132,954	(351,043)	1,489,578	2,773,063	-	(3,878,418)	-	-
Contributions – buy back	-	102,801	24,084	160,587	103,630	-	89,010	-	-
Benefit payments, including refunds of employee contributions	(2,258,098)	(1,818,250)	(964,334)	(471,935)	(422,780)	(266,641)	(196,017)	(318,562)	(124,883)
Net change in total pension liability	6,650,025	6,406,922	4,928,671	7,115,450	7,249,450	4,515,979	(140,638)	3,868,850	3,518,237
Total pension liability – beginning	60,911,302	54,504,380	49,575,709	42,460,259	35,210,809	30,694,830	30,835,468	26,966,618	23,448,381
Total pension liability – ending (a)	\$ 67,561,327	\$ 60,911,302	\$ 54,504,380	\$ 49,575,709	\$ 42,460,259	\$ 35,210,809	\$ 30,694,830	\$ 30,835,468	\$ 26,966,618
Plan Fiduciary Net Position									
Contributions – employer	\$ 1,393,727	\$ 1,109,331	\$ 904,000	\$ 546,000	\$ 430,000	\$ 1,151,968	\$ 1,210,923	\$ 1,354,591	\$ 1,210,886
Contributions – state	968,968	778,357	725,387	681,518	649,588	686,162	756,247	704,774	632,791
Contributions – employee	479,736	453,636	452,684	431,182	421,681	421,011	405,366	397,215	438,276
Contributions – buy back	-	102,801	24,084	160,587	103,630	-	89,010	-	-
Net investment income	11,192,948	6,305,347	1,427,036	4,515,886	5,320,373	3,664,067	182,373	3,110,572	3,346,835
Benefit payments, including refunds of employee contributions	(2,258,098)	(1,818,250)	(964,334)	(471,935)	(422,780)	(266,641)	(196,017)	(318,562)	(124,883)
Administrative expenses	(53,137)	(60,094)	(49,031)	(53,221)	(63,823)	(42,840)	(43,231)	(30,188)	(25,992)
Net change in plan fiduciary net position	11,724,144	6,871,128	2,519,826	5,810,017	6,438,669	5,613,727	2,404,671	5,218,402	5,477,913
Plan fiduciary net position – beginning	60,923,933	54,052,805	51,532,979	45,722,962	39,284,293	33,670,566	31,265,895	26,047,493	20,569,580
Plan fiduciary net position – ending (b)	72,648,077	60,923,933	54,052,805	51,532,979	45,722,962	39,284,293	33,670,566	31,265,895	26,047,493
Net pension liability (asset) – ending (a) – (b)	\$ (5,086,750)	\$ (12,631)	\$ 451,575	\$ (1,957,270)	\$ (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)	107.53%	100.02%	99.17%	103.95%	107.68%	111.57%	109.69%	101.40%	96.59%
Covered employee payroll *	\$ 8,025,331	\$ 7,414,380	\$ 7,133,977	\$ 6,630,379	\$ 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	-63.38%	-0.17%	6.33%	-29.52%	-51.11%	-65.31%	-46.22%	-7.43%	16.30%

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

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

*The covered employee payroll amounts are in compliance with GASB No. 82, except for the 09/30/2015 measurement period, which includes DROP payroll.

Changes in Benefit Terms

For measurement date 9/30/2019, amounts reported as changes of benefit terms resulted from the provisions of Chapter 112.1816, Florida Statutes. The Statutes state that, effective July 1, 2019, a death or disability (under the Plan's definition of total and permanent disability) for a Firefighter due to the diagnosis of cancer or circumstances that arise out of the treatment of cancer will be treated as duty related.

Changes of Assumptions

For measurement date 9/30/2021, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.25% to 7.00%.

For measurement date 9/30/2020, as required by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the July 1, 2019 actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

For measurement date 09/30/2019, amounts reported as changes in assumptions resulted from an experience study dated August 19, 2019, the following changes have been incorporated:

- The assumed rates of termination have been amended from an age-based table to a service-based table to better align with actual plan experience.
- The assumed rates of disablement for active members have been amended to better align with actual plan experience.
- In anticipation of compliance with Chapter 2019-21, Laws of Florida, the in-line-of duty assumption has been increased from 75% of disablements to 90% of disablements.

For measurement date 9/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.50% to 7.25%.

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 2,197,906	\$ 1,818,404	\$ 1,586,587	\$ 1,206,557	\$ 1,162,676	\$ 1,725,074	\$ 1,787,485	\$ 1,931,153	\$ 1,787,448
Contributions in relation to the actuarially determined contributions	<u>2,198,106</u>	<u>1,818,404</u>	<u>1,586,588</u>	<u>1,206,654</u>	<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>\$ (200)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (97)</u>	<u>\$ 87,987</u>	<u>\$ (89,870)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll*	\$ 8,025,331	\$ 7,414,380	\$ 7,133,977	\$ 6,630,379	\$ 6,383,199	\$ 6,237,566	\$ 6,438,507	\$ 5,790,475	\$ 5,638,637
Contributions as a percentage of covered employee payroll	27.39%	24.53%	22.24%	18.20%	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, 2019

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

Methods and assumptions used to determine contribution rates:

Mortality Rate

The assumed rates of mortality are mandated by Chapter 2015-157, Laws of Florida. The law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement Systems ("FRS"). The above rates are those outlined in the July 1, 2019 FRS actuarial valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

Interest Rate

7.00% per year compounded annually, net of investment-related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Retirement Age

Earlier of age 55 and 10 years of service or the completion of 25 years of service. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year. We feel this assumption is reasonable based upon the plan provisions.

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. We feel this assumption is reasonable based upon the plan provisions.

Funding Method

Entry Age Normal Actuarial Cost Method

Disability Rates

It is assumed that 90% of disablements are service related. This assumption was developed from those used by other plans containing Florida municipal firefighters.

Termination Rates

This assumption was developed from those used by other plans containing Florida municipal firefighters.

Payroll Growth

2.00% per year. This assumption complies with Part VII of Chapter 112, Florida Statutes.

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

Salary Increases

<u>Service</u>	<u>Increase</u>
0	12.0%
1	11.5%
2	11.0%
3	10.5%
4	10.0%
5	9.0%
6	8.0%
7	7.0%
8	6.0%
9	5.0%
10+	4.0%

The assumed rates were determined based on an experience analysis performed in conjunction with the October 1, 2015 actuarial valuation.

Asset Valuation Method

All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a three-year period.

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

Termination and Disability Rate Tables

Termination Rates:

<u>Service</u>	<u>% Terminating During the Year</u>
0	7.00%
1 - 6	2.00%
7 - 9	0.00%
10+	5.00%

Disability Rates:

<u>Age</u>	<u>% Becoming Disabled During the Year</u>
20	0.12%
30	0.18%
40	0.27%
50	0.70%
60	3.60%
61+	5.00%

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

	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<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	-10.78%	18.42%	2.77%	9.82%	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,	2022	2021	2020	2019	2018
Measurement date ending September 30,	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 156,835	\$ 114,786	\$ 91,868	\$ 100,374	\$ 111,340
Interest	45,970	60,260	62,514	55,051	47,573
Differences between expected and actual experience	159,534	-	178,839	-	-
Changes of assumptions	443,584	273,814	(152,892)	(157,747)	(184,679)
Benefit payments	<u>(26,864)</u>	<u>(24,990)</u>	<u>(6,288)</u>	<u>(5,795)</u>	<u>(5,329)</u>
Net change in total OPEB liability	779,059	423,870	174,041	(8,117)	(31,095)
Total OPEB liability – beginning	<u>2,004,695</u>	<u>1,580,825</u>	<u>1,406,784</u>	<u>1,414,901</u>	<u>1,445,996</u>
Total OPEB liability – ending	<u><u>\$ 2,783,754</u></u>	<u><u>\$ 2,004,695</u></u>	<u><u>\$ 1,580,825</u></u>	<u><u>\$ 1,406,784</u></u>	<u><u>\$ 1,414,901</u></u>
Covered employee payroll ¹	\$ 9,190,182	\$ 9,141,660	\$ 8,617,704	\$ 8,292,772	\$ 7,792,770
Sponsor's Total OPEB Liability as a percentage of covered employee payroll	30.29%	21.93%	18.34%	16.96%	18.16%

Notes to the Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios

Difference Between Expected and Actual Experience

Difference between expected and actual experience reflects the impact of changes to the census data from the prior valuation to the valuation as of September 30, 2019.

Changes of Assumptions

Changes of assumptions and other inputs reflect the effect of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal year ending September 30, 2022:	2.43%
Fiscal year ending September 30, 2021:	2.14%
Fiscal year ending September 30, 2020:	3.58%
Fiscal year ending September 30, 2019:	4.18%
Fiscal year ending September 30, 2018:	3.64%
Fiscal year ending September 30, 2017:	3.06%

Also reflected as assumption changes are updated health care costs and premiums, updated health care cost trend rates, updated termination and disability rates (90% assumed in line of duty) and updated mortality rates.

Benefit Payments

The plan sponsor did not provide actual net benefits paid by the Plan for the fiscal year ending on September 30, 2022. Expected net benefit payments produced by the valuation model for the same period are shown in the table above.

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 Section 218.415, Florida Statutes, with regards to investments for the year ended September 30, 2022.

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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, 2022.

Warren Averett, LLC

Destin, Florida
January 31, 2023

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, the major fund, and the pension trust fund of the South Walton Fire District (the District), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Purpose of this Report

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



Destin, Florida
January 31, 2023

MANAGEMENT LETTER

To the Board of Fire Commissioners
South Walton Fire District

Report on the Financial Statements

We have audited the financial statements of the South Walton Fire District, as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated January 31, 2023.

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; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent 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 31, 2023, 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 such findings and 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. This information can be found in Note 1 to the financial statements. There are no component units related to the District.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition and Management – 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 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.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the District reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 191.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 0.
- c. All compensation earned by or awarded to employees, whether paid or accrued regardless of contingency as \$13,152,107.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$0.
- e. The District does not have any construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported.
- f. A budget variance based on the budget amended under Section 189.016(6), Florida Statutes, during the fiscal year being reported as \$5,837,346.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the District reported:

- a. The millage rate or rates imposed by the district as 1.0000.
- b. The total amount of ad valorem taxes collected by or on behalf of the district as \$22,216,874.
- c. The District does not have any outstanding bonds.

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.

Warren Averett, LLC

Destin, Florida
January 31, 2023