



SOUTH WALTON FIRE DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2023

**SOUTH WALTON FIRE DISTRICT
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SEPTEMBER 30, 2023**

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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, 2023, 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, 2023, and the respective changes in financial position, and the respective budgetary comparison information for the General Fund 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 auditors' 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 the schedules related to the pension and OPEB liabilities, contributions, and investment returns, as listed in the table of contents, 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 February 14, 2024 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
February 14, 2024

**SOUTH WALTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$55.61 million (net position), which represents an increase of \$9.48 million (or 20.6%) over the prior year. Of this amount, \$18.89 million represents investments in capital assets (e.g., land, buildings, machinery and equipment); \$5.72 million represents impact fees restricted by Florida Statutes for items needed as a result of the expansion of District activities; and \$30.99 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 \$36.01 million, an increase of \$9.42 million (or 35.4%) from the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$9.59 million or 33.9% of the total expenditures in the General Fund, 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, 2023**

The government-wide financial statements distinguish and demonstrate that, as a governmental activity, The District is principally supported by property taxes, intergovernmental revenues, 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, 2023**

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 immediately following the notes to the financial statements.

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 \$55.61 million (net position) as of September 30, 2023, as reported in Table 1.

The largest portion of the District's net position, \$18.89 million or 34.0%, 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, 2023.

**SOUTH WALTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

**Table 1
SOUTH WALTON FIRE DISTRICT
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2023 AND 2022
(In Thousands of Dollars, Rounded)**

	Governmental Activities	
	2023	2022
Current, restricted, and other assets	\$ 37,680	\$ 33,220
Capital assets	18,891	17,355
Total assets	56,571	50,575
Deferred outflows of resources	14,164	9,400
Long-term liabilities outstanding	12,455	5,175
Other liabilities	967	929
Total liabilities	13,422	6,104
Deferred inflows of resources	1,705	7,746
Net investment in capital assets	18,891	17,355
Restricted	5,723	3,109
Unrestricted	30,994	25,661
Total net position	\$ 55,608	\$ 46,125

The District reported ending unrestricted net position of \$30.99 million, which 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 \$9.48 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, 2023, as compared to the prior year.

**SOUTH WALTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

**Table 2
SOUTH WALTON FIRE DISTRICT
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(In Thousands of Dollars, Rounded)**

	Governmental Activities	
	2023	2022
REVENUES		
Program revenues		
Charges for services	\$ 7,792	\$ 7,544
Operating grants and contributions	535	58
Capital grants and contributions	2,611	1,864
General revenues		
Property taxes	27,397	22,217
State revenue sharing	36	24
Investment earnings (losses)	609	(106)
Other revenues	109	71
Total revenues	39,089	31,672
EXPENSES		
Current		
Public safety	29,606	23,738
Total expenses	29,606	23,738
INCREASE IN NET POSITION	9,483	7,934
NET POSITION AT BEGINNING OF YEAR	46,125	38,191
NET POSITION AT END OF YEAR	\$ 55,608	\$ 46,125

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, 2023**

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 tax revenue exceeded the budgeted amount as a result of higher collection rate.
- Impact fees imposed on development within the District exceeded projections due to multi-family dwelling development in South Walton County exceeding expectations.
- Investment income exceeded budget due to the change in market interest rates compared to the preceding year.
- Public safety expenditures were below the amounts budgeted due to delays in filling vacant personnel positions, lower than anticipated repairs and maintenance costs and supply chain delays. 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 outlay expenditures were below the amounts budgeted due to unavoidable construction delays and vehicle supply chain delays.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets for its governmental activities as of September 30, 2023, totaled \$18.89 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 \$3.31 million, which was comprised primarily of various vehicles and equipment. The depreciation and amortization expense in the current year totaled \$1.77 million. The District's capital asset activity for the current and prior fiscal year is summarized in Table 3 on the next page.

**SOUTH WALTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

**Table 3
SOUTH WALTON FIRE DISTRICT
CAPITAL ASSETS
(Net of Depreciation and Amortization)
AS OF SEPTEMBER 30, 2023 AND 2022**

	Governmental Activities	
	2023	2022
Land	\$ 671,155	\$ 671,155
Buildings	11,200,567	10,723,252
Improvements other than buildings	228,360	116,614
Furniture and equipment	2,105,580	1,578,289
Trucks and automobiles	3,381,563	3,818,125
Intangible assets	54,836	68,482
Construction in progress	1,248,514	379,349
Total	\$ 18,890,575	\$ 17,355,266

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 \$2.98 million, which was comprised entirely of accrued compensated absences. The District has assigned \$1.00 million of ending fund balance in the General Fund to satisfy the liability for compensated absences. The District had no debt as of September 30, 2023. The District's outstanding long-term liabilities are summarized in Table 4 below.

**Table 4
SOUTH WALTON FIRE DISTRICT
LONG-TERM LIABILITIES OUTSTANDING
AS OF SEPTEMBER 30, 2023 AND 2022**

	Governmental Activities	
	2023	2022
Compensated absences	\$ 2,980,745	\$ 2,390,920

The District's long-term liabilities increased by \$590 thousand during the 2023 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, 2023**

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 service 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>
2023	1.0000
2022	1.0000
2021	1.0000
2020	1.0000
2019	1.0000

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 2024 estimates property tax revenues to increase by approximately 17.1%, 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 2024 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, 2023**

	<u>Primary Government</u>
ASSETS	
Cash and cash equivalents	\$ 16,151,751
Investments	14,733,602
Receivables, EMS	698,377
Receivables, other	24,414
Due from other governments	349,435
Restricted assets	
Cash and cash equivalents	5,722,752
Capital assets	
Non-depreciable	1,919,669
Depreciable, net	16,970,906
TOTAL ASSETS	<u>56,570,906</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>14,163,994</u>
LIABILITIES	
Accounts payable	347,095
Accrued liabilities	620,216
Non-current liabilities	
Due in more than one year	
Compensated absences	2,980,745
Net pension liability	7,075,114
Total OPEB liability	2,399,358
TOTAL LIABILITIES	<u>13,422,528</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,705,105</u>
NET POSITION	
Net investment in capital assets	18,890,575
Restricted – impact fees	5,722,752
Unrestricted	30,993,940
TOTAL NET POSITION	<u><u>\$ 55,607,267</u></u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Government Activities					
Public safety	\$ 29,607,301	\$ 7,791,894	\$ 534,961	\$ 2,611,289	\$ (18,669,157)
General Revenues					
Taxes					
Property taxes					27,397,280
State revenue sharing					35,976
Investment income					608,893
Gain on sale of capital assets					15,574
Miscellaneous					93,518
Total general revenues					<u>28,151,241</u>
CHANGE IN NET POSITION					9,482,084
NET POSITION AT BEGINNING OF YEAR					<u>46,125,183</u>
NET POSITION AT END OF YEAR					<u>\$ 55,607,267</u>

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET
SEPTEMBER 30, 2023**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 16,151,751
Investments	14,733,602
Receivables, EMS	698,377
Receivables, other	24,414
Due from other governments	349,435
Restricted assets	
Cash and cash equivalents	5,722,752
TOTAL ASSETS	\$ 37,680,331
LIABILITIES	
Accounts payable	\$ 347,095
Accrued liabilities	620,216
Total liabilities	967,311
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	698,377
FUND BALANCE	
Restricted for capital growth initiatives	5,722,752
Assigned for capital outlay	12,204,494
Assigned for compensatory time off	1,000,000
Assigned for contingencies	7,500,000
Unassigned	9,587,397
Total fund balance	36,014,643
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 37,680,331

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, 2023**

Fund balance – total governmental fund (page 13)		\$ 36,014,643
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Governmental non-depreciable assets	\$ 1,919,669	
Governmental depreciable and amortizable assets	32,246,345	
Less accumulated depreciation and amortization	<u>(15,275,439)</u>	
		18,890,575
<p>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</p>		
Deferred inflows related to EMS receivable		698,377
<p>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.</p>		
Deferred outflows of resources	14,163,994	
Deferred inflows of resources	<u>(1,705,105)</u>	
		12,458,889
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.</p>		
Compensated absences	(2,980,745)	
Net pension liability	(7,075,114)	
Total OPEB liability	<u>(2,399,358)</u>	
		<u>(12,455,217)</u>
Net position of governmental activities (page 11)		<u><u>\$ 55,607,267</u></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, 2023**

REVENUES	
Taxes	\$ 27,397,280
Intergovernmental	3,907,852
Impact fees	2,611,289
Charges for services	3,040,900
Investment income	608,893
Miscellaneous	<u>115,887</u>
Total revenues	37,682,101
EXPENDITURES	
Current	
Public safety	24,966,787
Capital outlay	<u>3,311,084</u>
Total expenditures	<u>28,277,871</u>
EXCESS OF REVENUES OVER EXPENDITURES	9,404,230
OTHER FINANCING SOURCES	
Proceeds from sale of capital assets	<u>18,415</u>
NET CHANGE IN FUND BALANCE	9,422,645
FUND BALANCE AT BEGINNING OF YEAR	<u>26,591,998</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 36,014,643</u></u>

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, 2023**

Net change in fund balance – governmental fund (page 15) \$ 9,422,645

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

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

Expenditures for capital assets	\$ 3,311,084	
Less current year depreciation and amortization	<u>(1,772,934)</u>	
		1,538,150

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.

Disposals of capital assets	(167,173)	
Accumulated depreciation on disposals of capital assets	<u>164,332</u>	
		(2,841)

EMS revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund. 1,391,710

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

Change in net pension liability and related deferrals	(794,840)	
Change in total OPEB liability and related deferrals	(177,623)	
Change in long-term compensated absences	(589,825)	
Bad debt expense related to EMS receivables	<u>(1,305,292)</u>	
		<u>(2,867,580)</u>

Change in net position of governmental activities (page 12)		<u><u>\$ 9,482,084</u></u>
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See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget – Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$27,050,004	\$27,050,004	\$27,397,280	\$ 347,276
Intergovernmental	3,856,534	3,856,534	3,907,852	51,318
Impact fees	1,000,000	1,000,000	2,611,289	1,611,289
Charges for services	2,805,999	2,805,999	3,040,900	234,901
Investment income (losses)	(100,000)	(100,000)	608,893	708,893
Miscellaneous	39,152	39,152	115,887	76,735
Total revenues	34,651,689	34,651,689	37,682,101	3,030,412
EXPENDITURES				
Current				
Public safety	29,120,075	29,120,075	24,966,787	4,153,288
Capital outlay	9,965,949	9,965,949	3,311,084	6,654,865
Total expenditures	39,086,024	39,086,024	28,277,871	10,808,153
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(4,434,335)	(4,434,335)	9,404,230	13,838,565
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	-	-	18,415	18,415
NET CHANGE IN FUND BALANCE	(4,434,335)	(4,434,335)	9,422,645	13,856,980
FUND BALANCE AT BEGINNING OF YEAR				
	25,138,829	25,138,829	26,591,998	1,453,169
FUND BALANCE AT END OF YEAR				
	\$20,704,494	\$20,704,494	\$36,014,643	\$ 15,310,149

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023**

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 556,114
Investments, at fair value	74,445,414
Interest receivable	62,569
TOTAL ASSETS	75,064,097
LIABILITIES	
Accounts payable	53,129
NET POSITION RESTRICTED FOR PENSIONS	\$ 75,010,968

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, 2023**

	Pension Trust Fund
ADDITIONS	
Contributions	
Employer	\$ 1,915,095
Plan members	531,759
State of Florida	1,176,789
Total contributions	3,623,643
Investment income	7,432,049
Less investment expense	(188,099)
Net income investment	7,243,950
Total additions	10,867,593
DEDUCTIONS	
Administrative expenses	120,620
Distributions to retirees	1,872,905
Total deductions	1,993,525
CHANGE IN FIDUCIARY NET POSITION	8,874,068
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	66,136,900
End of year	\$ 75,010,968

See notes to the financial statements.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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, 2023, 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.

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.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Government-Wide and Fund Financial Statements – Continued

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).

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% are granted for each month taxes are paid prior to March 1st.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Measurement Focus and Basis of Accounting – Continued

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 2023 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 therein, 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.

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.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Basis of Presentation – Continued

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 and Net Position or Fund Balance

Cash and Cash Equivalents

The District'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 investments are stated at fair value.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

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

Deposits and Investments – Continued

The Pension Trust Fund 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 service receivables greater than 120 days outstanding into "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 accounts as of September 30, 2023.

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	\$ 5,000
Intangible assets (software)	\$ 5,000

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, 2023**

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

Assets, Liabilities, Deferred Outflows/Inflows 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 portion of paid time off (i.e., termination payments for unused leave) that is payable at the balance sheet date is recorded as an expenditure and a liability in the General Fund, while the remaining portion is recorded as a liability in the government-wide financial statements. At September 30, 2023, the District's compensated absences liability is all reported as non-current.

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, 2023**

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

Assets, Liabilities, Deferred Outflows/Inflows 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	156.00 hours
15th Anniversary	6.92 hours per pay period	179.92 hours

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Assets, Liabilities, Deferred Outflows/Inflows 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:

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

Compensatory Time Off

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

Sick Leave

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

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, 2023**

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

Assets, Liabilities, Deferred Outflows/Inflows 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 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, 2023**

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

Assets, Liabilities, Deferred Outflows/Inflows 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.

Reclassifications

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

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, 2023 through February 14, 2024, 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, 2023**

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 reappropriated and honored during the subsequent year. As of September 30, 2023, the District reported no encumbrances in the General Fund.

3. DEPOSITS AND INVESTMENTS

Deposits

Deposits may be exposed to custodial credit risk, which is the risk that, in the event of a bank failure, the District's deposits may not be returned. 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.

At year-end, the value of the District's deposits was \$22,061,662, all of which were entirely covered by pooled collateral held by the State Treasurer and, therefore, have no custodial credit risk.

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, 2023, investments held by the General Fund and Pension Trust Fund were as follows:

General Fund	\$ 14,733,602
Pension Trust Fund	<u>74,445,414</u>
	<u>\$ 89,179,016</u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

Interest Rate Risk

Both the District's investment policy and the Pension Trust Fund's investment policy encourage matching investment maturities with known cash needs and anticipated cash flow requirements in order to manage interest rate risk. As of September 30, 2023, the District held the following investments and related maturities:

	Fair Value	INVESTMENT MATURITIES (YEARS)					
		<1	1-5	5-10	10-15	15-20	20-25
Investments subject to interest rate risk:							
U.S. Treasury securities	\$ 17,501,162	\$ 11,247,912	\$ 1,085,186	\$ 3,557,015	\$ -	\$ 536,616	\$ 1,074,433
U.S. government agency securities	5,598,305	136,759	37,069	-	114,836	1,820,021	3,489,620
CMOs and asset-backed securities	7	7	-	-	-	-	-
Corporate bonds and other debt	3,904,526	1,261,675	964,994	1,677,857	-	-	-
	<u>27,004,000</u>	<u>\$12,646,353</u>	<u>\$ 2,087,249</u>	<u>\$ 5,234,872</u>	<u>\$ 114,836</u>	<u>\$ 2,356,637</u>	<u>\$ 4,564,053</u>
Investments not subject to interest rate risk:							
Mutual funds	47,923,914						
Real estate investment funds	6,184,912						
Private equity investment funds	<u>8,066,190</u>						
Total	<u>\$89,179,016</u>						

Credit Risk

The Pension Trust Fund was in compliance with its investment policies described in Note 1 regarding credit risk as of September 30, 2023. 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.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

4. FAIR VALUE OF INVESTMENTS

The District measures and records its investments using fair value measurement 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, 2023.

The following table presents the investments carried at fair value on September 30, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
U.S. Treasury securities	\$ 17,501,162	\$ 17,501,162	\$ -	\$ -
U.S. government agency obligations	5,598,305	-	5,598,305	-
CMOs and asset-backed securities	7	-	7	-
Corporate bonds	3,904,526	-	3,904,526	-
Total debt securities	27,004,000	17,501,162	9,502,838	-
Equity securities and commingled funds				
Mutual and exchange-traded funds	47,923,914	-	47,923,914	-
*Real estate investment funds	6,184,912			
*Private equity investment funds	8,066,190			
Total equity securities and commingled funds	62,175,016	-	47,923,914	-
Total investments measured at fair value	<u>\$ 89,179,016</u>	<u>\$ 17,501,162</u>	<u>\$ 57,426,752</u>	<u>\$ -</u>

*In accordance with GASB Statement No. 72, certain investments measured at net asset value (NAV) per share, or its equivalent, have not been classified in the fair value hierarchy.

Securities classified in Level 2 are determined by broker quotes that utilize matrix pricing models and other observable market inputs.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

5. RECEIVABLES

Receivables at September 30, 2023, were as follows:

Receivables

EMS charges for ambulance and rescue services	\$ 698,377
Other receivables	<u>24,414</u>

Total Receivables

\$ 722,791

Due From Other Governments

Due from the County Tax Collector for excess fees on prior year taxes	\$ 305,939
Due from Florida Division of Emergency Management	<u>43,496</u>

Total Due From Other Governments

\$ 349,435

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, 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	379,349	909,746	(40,581)	1,248,514
Total capital assets not being depreciated and amortized	<u>1,050,504</u>	<u>909,746</u>	<u>(40,581)</u>	<u>1,919,669</u>
Capital assets being depreciated and amortized				
Buildings	15,240,573	834,696	40,581	16,115,850
Improvements other than buildings	308,879	134,540	-	443,419
Furniture and equipment	4,239,691	1,007,138	(40,521)	5,206,308
Trucks and automobiles	10,016,670	424,964	(126,652)	10,314,982
Intangibles	165,786	-	-	165,786
Total capital assets being depreciated and amortized	<u>29,971,599</u>	<u>2,401,338</u>	<u>(126,592)</u>	<u>32,246,345</u>
Less accumulated depreciation and amortization				
Buildings	(4,517,321)	(397,962)	-	(4,915,283)
Improvements other than buildings	(192,265)	(22,794)	-	(215,059)
Furniture and equipment	(2,661,402)	(477,006)	37,680	(3,100,728)
Trucks and automobiles	(6,198,545)	(861,526)	126,652	(6,933,419)
Intangibles	(97,304)	(13,646)	-	(110,950)
Total accumulated depreciation and amortization	<u>(13,666,837)</u>	<u>(1,772,934)</u>	<u>164,332</u>	<u>(15,275,439)</u>
Total capital assets being depreciated and amortized, net	<u>16,304,762</u>	<u>628,404</u>	<u>37,740</u>	<u>16,970,906</u>
Governmental Activities, Net	<u>\$ 17,355,266</u>	<u>\$ 1,538,150</u>	<u>\$ (2,841)</u>	<u>\$ 18,890,575</u>

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

Governmental Activities	
Public safety	<u>\$ 1,772,934</u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

As of September 30, 2023, the District reported the following deferred outflows of resources and deferred inflows of resources:

	General Fund	Governmental Activities
Deferred outflows		
Pension related		
Contributions subsequent to the measurement date	\$ -	\$ 3,091,884
Net differences between projected and actual earnings on plan investments	-	5,824,293
Changes of assumptions	-	3,308,439
Differences between expected and actual experience	-	1,066,094
Total pension related deferred outflows	-	13,290,710
OPEB related		
Contributions subsequent to the measurement date	-	91,814
Changes of assumptions	-	546,539
Differences between expected and actual experience	-	234,931
Total deferred outflows of resources	\$ -	\$ 14,163,994
Deferred inflows		
Pension related		
Changes of assumptions	\$ -	\$ 606,455
Differences between expected and actual experience	-	364,875
Total pension related deferred inflows	-	971,330
OPEB related		
Changes of assumptions	-	733,775
Unavailable revenue - EMS receivables	698,377	-
Total deferred inflows of resources	\$ 698,377	\$ 1,705,105

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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, 2021:

Inactive Plan Members or Beneficiaries currently receiving benefits	29
Inactive Plan Members entitled to but not yet receiving benefits	7
Active Plan Members	95
	<hr/>
	<u>131</u>

Benefits Provided

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

Normal Retirement:

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

Benefit Amount: Members hired prior to October 1, 2011: 4% of average final compensation times credited service. Additionally, these Members will receive a \$550.00 per month supplemental retirement benefit, payable until the earlier of death or age 65 (normal retirement only). Members hired on and after October 1, 2011: 3% of average final compensation times credited service.

Early Retirement:

Eligibility: Age 50 and 10 years of credited service.

Benefit Amount: Accrued benefit, reduced by 3% per year prior to normal retirement date.

Disability:

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

Benefit Amount: Accrued benefit, but not less than 42% of average final compensation for service-related disabilities.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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.

Funding Policy and 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

The measurement date is September 30, 2022. The measurement period for the pension expense was October 1, 2021 to September 30, 2022. The reporting period is October 1, 2022 through September 30, 2023.

The District's net pension liability was measured as of September 30, 2022. The total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2021, updated to September 30, 2022, using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount rate	7.00%
Investment rate of return	7.00%

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

Net Pension Liability – Continued

Actuarial Assumptions – Continued

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.

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 2023, 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, 2023, 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>	

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

Net Pension Liability – Continued

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.

Changes in the District's net pension liability for the year ended September 30, 2023, were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2022 (Valuation date of 10/01/2021)	\$ 67,561,327	\$ 72,648,077	\$ (5,086,750)
Changes:			
Service cost	2,654,644	-	2,654,644
Interest	4,845,886	-	4,845,886
Share plan allocation	186,676	-	186,676
Differences between expected and actual experience	(203,423)	-	(203,423)
Contributions – employer	-	1,695,834	(1,695,834)
Contributions – state	-	1,013,142	(1,013,142)
Contributions – employee	-	504,835	(504,835)
Contributions – buy back	144,949	144,949	-
Net investment income	-	(7,812,797)	7,812,797
Benefit payments, including refunds of employee contributions	(1,978,044)	(1,978,044)	-
Administrative expenses	-	(79,095)	79,095
Net changes	<u>5,650,688</u>	<u>(6,511,176)</u>	<u>12,161,864</u>
Balances at September 30, 2023 (Measurement date of 09/30/2022)	<u>\$ 73,212,015</u>	<u>\$ 66,136,901</u>	<u>\$ 7,075,114</u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

Net Pension Liability – Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The sensitivity of the net pension liability to changes in the discount rate was as follows:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Sponsor's net pension liability (asset)	\$ 16,534,027	\$ 7,075,114	\$ (725,771)

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.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended September 30, 2023, the District recognized pension expense of \$3,886,724. On September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District and state contributions subsequent to the measurement date	\$ 3,091,884	\$ -
Net difference between projected and actual earnings on pension plan investments	5,824,293	-
Changes of assumptions	3,308,439	606,455
Differences between expected and actual experience	1,066,094	364,875
Total	<u>\$ 13,290,710</u>	<u>\$ 971,330</u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

Pension Expense and Deferred Outflows/Inflows of Resources - Continued

Deferred outflows of resources of \$3,091,884 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, 2024. 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:

2024		\$ 1,963,812
2025		1,923,391
2026		1,681,478
2027		3,032,819
2028		425,324
Thereafter		200,672
		\$ 9,227,496

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. Accordingly, no assets are held in a GASB compliant trust to satisfy related OPEB plan benefits.

Plan Membership as of 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

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Plan Description – Continued

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, 2022. The measurement period for OPEB expense is October 1, 2021 to September 30, 2022. The reporting period is October 1, 2022 to September 30, 2023.

The District's total OPEB liability was measured as of September 30, 2022.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2022, using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount rate	4.77%
Initial trend rate	7.50%
Ultimate trend rate	4.00%
Years to ultimate	53

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.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Total OPEB Liability – Continued

Actuarial Assumptions – Continued

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 4.77%. 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.

Change in Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at September 30, 2022 (Valuation date of 10/01/2021)	\$ 2,783,754	\$ -	\$ 2,783,754
Changes for the year:			
Service cost	193,847	-	193,847
Interest	71,358	-	71,358
Differences between expected and actual experience	-	-	-
Changes of assumptions	(567,076)	-	(567,076)
Benefit payments	(82,525)	-	(82,525)
Net changes	(384,396)	-	(384,396)
Reporting period ending September 30, 2023 (Measurement date of 09/30/2022)	\$ 2,399,358	\$ -	\$ 2,399,358

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Change in Total OPEB Liability

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table 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:

	<u>1% Decrease</u> 3.77%	<u>Current</u> <u>Discount Rate</u> 4.77%	<u>1% Increase</u> 5.77%
Total OPEB liability	\$ 2,622,545	\$ 2,399,358	\$ 2,200,886

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates

The following table 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:

	<u>1% Decrease</u> 3.00%-6.50%	<u>Healthcare Cost</u> <u>Trend Rates</u> 4.00%-7.50%	<u>1% Increase</u> 5.00%-8.50%
Total OPEB liability	\$ 2,144,531	\$ 2,399,358	\$ 2,694,328

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

For the year ended September 30, 2023, the District recognized OPEB expense of \$269,437. On September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between Expected and Actual experience	\$ 234,931	\$ -
Changes of assumptions	546,539	733,775
Employer contributions subsequent to measurement date	91,814	-
Total	<u>\$ 873,284</u>	<u>\$ 733,775</u>

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

OPEB Expense and Deferred Outflows/Inflows of Resources – Continued

Deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in OPEB expense as follows:

Year ended September 30:

2024	\$ (4,468)
2025	(4,468)
2026	(4,467)
2027	16,048
2028	33,579
Thereafter	<u>11,471</u>
	<u>\$ 47,695</u>

10. SUPPLEMENTAL RETIREMENT PLANS

Deferred Compensation Plan

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. All full-time employees are eligible to participate in the plan and make elective deferrals. For non-high-risk employees hired before October 2, 2006, the District contributes 10% of their base wage to the deferred compensation plan. Contributions to the plan are immediately vested.

For the year ending September 30, 2023, plan contributions made by plan members totaled \$236,602.

Defined Contribution Plan

The District offers a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The plan is a governmental money purchase plan with the same independent plan administrator as the deferred compensation plan, also with participant selected investments. All full-time employees hired after October 2, 2006, are eligible to participate in the plan. The District contributes 7% of employees' base wages for the first three years of employment and 10% thereafter to the 401(a) plan.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

10. SUPPLEMENTAL RETIREMENT PLANS – CONTINUED

Defined Contribution Plan – Continued

The vesting percentage of District contributions is determined in accordance with the following schedule:

<u>Credit for Purposes of Vesting</u>	<u>Percentage</u>
3 years	20%
4 years	40%
5 years	60%
6 years	80%
7 years	100%

The authority for establishing and amending the Plan's provisions lies with the District's Board of Fire Commissioners (the Board). The Board also has the authority for amending contribution requirements. Contributions made to the plan by the District were \$211,626 for the fiscal year ending September 30, 2023.

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.

12. LAND CONTRACT

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. The agreement is not considered a lease in accordance with GASB guidance.

**SOUTH WALTON FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities				
Compensated absences	\$ 2,390,920	\$ 1,704,786	\$ (1,114,961)	\$ 2,980,745

Description of Long-Term Liabilities Outstanding

	Current	Long-Term	Total
Accrued Compensated Absences			
Total long-term portion of accumulated, vested paid time off	\$ -	\$ 2,980,745	\$ 2,980,745

14. BEACH SAFETY CONTRACT

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

15. SUBSEQUENT EVENT

Miramar Beach Fire Station Construction

In November 2023, the District entered into a contract with a construction company to construct a new Miramar Beach Fire Station on Geronimo Street in the amount of \$5,856,389, to be funded from impact fees. Work on the project commenced in February 2024. The project is expected to be completed in 2025.

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTH WALTON FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS (UNAUDITED)
LAST TEN FISCAL YEARS**

Fiscal year ending September 30, Measurement period ending September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability										
Service cost	\$ 2,654,644	\$ 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	4,845,886	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	186,676	164,589	69,284	42,799	20,864	4,899	422,953	-	-	-
Change in benefits	-	-	-	(4,505)						
Differences between expected and actual experience	(203,423)	(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	144,949	-	102,801	24,084	160,587	103,630	-	89,010	-	-
Benefit payments, including refunds of employee contributions	(1,978,044)	(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	5,650,688	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	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	23,448,381
Total pension liability – ending (a)	\$ 73,212,015	\$ 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	\$ 1,695,834	\$ 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	1,013,142	968,968	778,357	725,387	681,518	649,588	686,162	756,247	704,774	632,791
Contributions – employee	504,835	479,736	453,636	452,684	431,182	421,681	421,011	405,366	397,215	438,276
Contributions – buy back	144,949	-	102,801	24,084	160,587	103,630	-	89,010	-	-
Net investment income	(7,812,797)	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	(1,978,044)	(2,258,098)	(1,818,250)	(964,334)	(471,935)	(422,780)	(266,641)	(196,017)	(318,562)	(124,883)
Administrative expenses	(79,095)	(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	(6,511,176)	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	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	20,569,580
Plan fiduciary net position – ending (b)	66,136,901	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)	\$ 7,075,114	\$ (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)	90.34%	107.53%	100.02%	99.17%	103.95%	107.68%	111.57%	109.69%	101.40%	96.59%
Covered payroll *	\$ 8,810,709	\$ 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 payroll	80.30%	-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 covered payroll amounts are in compliance with GASB No. 82, except for the 09/30/2015 measurement date, 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)
LAST TEN FISCAL YEARS**

Measurement Period Ended	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Actuarially determined contribution	\$ 2,522,299	\$ 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	2,522,300	2,198,106	1,818,404	1,586,588	1,206,654	1,074,689	1,814,944	1,787,485	1,931,153	1,787,448
Contribution deficiency (excess)	\$ (1)	\$ (200)	\$ -	\$ (1)	\$ (97)	\$ 87,987	\$ (89,870)	\$ -	\$ -	\$ -
Covered payroll*	\$ 8,810,709	\$ 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 payroll	28.63%	27.39%	24.53%	22.24%	18.20%	16.84%	29.10%	27.76%	33.35%	31.70%

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

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

Valuation Date: October 1, 2021

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.

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.

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.

Funding Method

Entry Age Normal Actuarial Cost Method

f

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. See table on page 52.

Payroll Growth

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

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)**

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

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+	0.50%

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%

The assumed rates above were determined based on an actuarial experience study performed as of August 19, 2019.

**SOUTH WALTON FIRE DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)
 LAST NINE FISCAL YEARS**

Measurement Period Ended	<u>9/30/2022</u>	<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>
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 schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**SOUTH WALTON FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB
LIABILITY AND RELATED RATIOS (UNAUDITED)**

Reporting period ending September 30,	2023	2022	2021	2020	2019	2018
Measurement period ending September 30,	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 193,847	\$ 156,835	\$ 114,786	\$ 91,868	\$ 100,374	\$ 111,340
Interest	71,358	45,970	60,260	62,514	55,051	47,573
Differences between expected and actual experience	-	159,534	-	178,839	-	-
Changes of assumptions	(567,076)	443,584	273,814	(152,892)	(157,747)	(184,679)
Benefit payments	<u>(82,525)</u>	<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	(384,396)	779,059	423,870	174,041	(8,117)	(31,095)
Total OPEB liability – beginning	<u>2,783,754</u>	<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>\$ 2,399,358</u>	<u>\$ 2,783,754</u>	<u>\$ 2,004,695</u>	<u>\$ 1,580,825</u>	<u>\$ 1,406,784</u>	<u>\$ 1,414,901</u>
Covered employee payroll	\$ 9,797,653	\$ 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	24.49%	30.29%	21.93%	18.34%	16.96%	18.16%

Notes to the Schedule

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, 2023:	4.77%
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 ended September 30, 2023. Expected net benefit payments produced by the valuation model for the same period are shown in the table above.

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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, 2023.

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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

Warren Averett, LLC

Destin, Florida
February 14, 2024

**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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 14, 2024.

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 District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC

Destin, Florida
February 14, 2024

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, 2023, and have issued our report thereon dated February 14, 2024.

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 conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports are dated February 14, 2024, 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 for the District. 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.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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 208.
- 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 \$14,955,333.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$0.
- e. The District entered into a contract for a construction project with a total cost of \$5,856,389 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported.
- f. No budget variances or amendments based on the budget adopted under Section 189.016(4), Florida Statutes, before the fiscal year being reported.

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 \$27,397,280.
- c. The District does not have any outstanding bonds.

Specific Information – Continued

The specific information reported on the previous page has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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
February 14, 2024

IMPACT FEE AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Carole E. Martin, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of the South Walton Fire District which is a local governmental entity of the State of Florida.
2. The governing body of the South Walton Fire District adopted Resolution No. 97-1 implementing impact fees.
3. The South Walton Fire District has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

Carole E. Martin
Carole E. Martin March 11, 2024

STATE OF FLORIDA
COUNTY OF WALTON

SWORN TO AND SUBSCRIBED before me this 11th day of March, 2024.

Lori Sharon Brown
NOTARY PUBLIC

Print Name Lori Sharon Brown

Personally known or produced identification

Type of identification produced: _____

My Commission Expires:

August 04, 2024

