

**SOUTH WALTON COUNTY
MOSQUITO CONTROL DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017**

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
TABLE OF CONTENTS
SEPTEMBER 30, 2017**

1	INDEPENDENT AUDITORS' REPORT
3	MANAGEMENT'S DISCUSSION AND ANALYSIS
	BASIC FINANCIAL STATEMENTS
8	Government-Wide Financial Statements
9	Statement of Net Position
9	Statement of Activities
	Fund Financial Statements
10	Governmental Fund Financial Statements
10	Balance Sheet
11	Reconciliation of the Balance Sheet to the Statement of Net Position
12	Statement of Revenues, Expenditures, and Changes in Fund Balance
13	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities
14	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund
15	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Special Revenue Fund
16	Notes to the Financial Statements
	REQUIRED SUPPLEMENTARY INFORMATION
36	Schedule of Proportionate Share of Net Pension Liability
38	Schedule of Contributions
40	Schedule of Funding Progress
40	Other Post Employment Benefits
41	Independent Auditors' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, Rules of the Auditor General
42	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
44	Management Letter

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Auditors' Responsibility

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

Management's Responsibility for the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general and special revenue funds of South Walton County Mosquito Control District as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Report on the Financial Statements

To the Board of Commissioners
South Walton County Mosquito Control District

INDEPENDENT AUDITORS' REPORT

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general and special revenue funds of South Walton County Mosquito Control District, as of September 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the general fund and special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Contributions, and the Schedule of Funding Progress as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 14, 2018, on our consideration of the South Walton County Mosquito Control District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Walton County Mosquito Control District's internal control over financial reporting and compliance.

Walton Audit, LLC

Destin, Florida
March 14, 2018

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two 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.

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. 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.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

- The assets of the District exceeded its liabilities by \$2,165,754 (net position), and represents an increase of \$557,106 (or 34.63%) from the prior year. Of this amount, \$1,058,740 represents investments in capital assets (e.g., land, building, furniture and equipment), \$3,031 is restricted by the Florida Department of Agriculture and Consumer Services for arthropod control, and \$1,103,983 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District reported total revenues for the fiscal year of \$2,292,597 and total expenditures of \$1,735,491, resulting in a change in net position of \$557,106.
- Current year revenues (2017) in comparison with the prior year (2016), increased by \$260,280 or approximately 13%, primarily as the result of an increase in ad valorem tax revenues.
- Current year expenses (2017) in comparison with the prior year (2016), increased by \$155,679 or approximately 10%, mostly attributable to increases in purchases of chemical and operating supplies which were available due to an approximate 13% increase in revenues from prior year.

The following are financial highlights for fiscal year 2017:

FINANCIAL HIGHLIGHTS

Please read it in conjunction with the District's financial statements, which follow this section.

As management of the South Walton County Mosquito Control District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS – CONTINUED

Government-Wide Financial Statements – Continued

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

The government-wide financial statements distinguish and demonstrate that, as a governmental activity, the District is principally supported by property tax and intergovernmental (state) revenues.

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 statutory requirements. Currently, the District has only one category of funds, governmental 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 10 and 12 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 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 government's near-term 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 two governmental funds, consisting of the General Fund (Local Fund) and the Special Revenue Fund (State fund). The District adopts an annual appropriated budget for both funds. A budgetary comparison statement is provided for each to demonstrate compliance with these budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following presents an overview of the District's net position and change in net position:

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 1,692,871	\$ 1,157,480
Inventory	89,549	95,658
Due from other governments	18,738	12,886
Other receivables	16,700	-
Restricted cash	3,031	2,424
Capital assets, net	1,058,740	964,138
TOTAL ASSETS	2,879,629	2,232,586
DEFERRED OUTFLOWS OF RESOURCES	366,510	346,368
LIABILITIES		
Non-current liabilities, due in more than one year	45,842	34,731
Compensated absences	124,929	112,395
Other postemployment benefits	846,969	817,286
Net pension liability	1,017,740	964,412
TOTAL LIABILITIES	1,915,480	1,928,824
DEFERRED INFLOWS OF RESOURCES	62,645	5,894
NET POSITION	964,149	303,762
Net investment in capital assets	1,058,740	964,138
Restricted for arthropod control	3,031	2,424
Unrestricted	1,103,983	642,086
TOTAL NET POSITION	\$ 2,165,754	\$ 1,608,648
REVENUES		
General revenues	2,216,588	1,987,415
Program revenues	76,009	44,902
TOTAL REVENUES	2,292,597	2,032,317
EXPENSES		
*Human services	1,735,491	1,579,812
CHANGE IN NET POSITION	557,106	452,505
NET POSITION AT BEGINNING OF YEAR	1,608,648	1,156,143
NET POSITION AT END OF YEAR	\$ 2,165,754	\$ 1,608,648

GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

The District's budget is made up of governmental funding sources from both the General Fund and the Special Revenue Fund. The General Fund (Local Fund) revenue is generated through the assessment of ad valorem taxes upon the property owners within the district, and carry-over funds from the previous fiscal year, while the Special Revenue Fund (State Fund) is revenue received from a contract with the Florida Department of Agriculture and Consumer Services.

The General Fund is affected each year by carry-over funds that are not exactly known when the original budget is approved by our Board of Commissioners and the Florida Department of Agriculture and Consumer Services (FDACS). When the exact amount becomes known (at the conclusion of the fiscal year), budget amendments are required to reflect the actual carry-over amounts. Overall, our final budgeted expenditures, including budget amendments, were \$471,025 more than what was originally budgeted and approved by our Board and FDACS.

Six expenditure line items within our budget had significant variations between the final budgeted amounts and the actual amounts expended during fiscal year 2017. These budget line items were: personal services; personal service benefits; operating expenses; chemicals, solvents, and additives; and capital outlay. All were under expended (favorable). None of the variations discussed here are expected to have a significant effect on the future service to our District or adversely affect our budget or operational capability.

Capital outlay for equipment in fiscal 2017 consisted of building improvements, office furniture, and vehicle

NOTES TO 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 16 of this report are the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund under spent the final budget by \$1,201,232 or approximately 41% for expenditures. General fund actual expenditures were less than anticipated expenditures; and this amount was re-budgeted and assigned to the subsequent year budget.

ECONOMIC FACTORS AND FUTURE FINANCIAL BUDGETS AND RATES

The State of Florida, by constitution, does not have a state individual 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 for their governmental activities. There are a limited number of state shared revenues and recurring and non-recurring grants from both the federal and state governments, which provide funding for specific programs, projects, or activities.

ECONOMIC FACTORS AND FUTURE FINANCIAL BUDGETS AND RATES - CONTINUED

The primary source of revenue for the District is property tax (ad valorem). The State's improving economic conditions are expected to result in an upward reassessment of property values within the District in the near future. As a result, with a slight upward trend in new development, ad valorem tax revenues are anticipated to increase again in fiscal year 2018. The assessed millage rate was 0.1628 for fiscal year 2017, and the District elected to keep its millage rate to 0.1628 for fiscal year 2018. The District also budgeted a Local Funds surplus from 2017 of \$250,092.

All capital assets of the District are paid for and we do not foresee, nor have we foreseen, any long-term debt activity. The 2018 budget has a reserve for future capital outlay related to the construction of a new building in the amount of \$1,176,729, with anticipated capital outlay of \$153,477 in 2018.

We are currently unaware of any situations that could adversely affect the District's financial position. However, future growth in South Walton County and the potential for outbreak of mosquito-borne disease could impact our operational activities and the present level of service we provide to the citizens of Walton County.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of South Walton County Mosquito Control 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 Director, Post Office Box 1130, Santa Rosa Beach, Florida 32459. The District's website address is www.swcmcd.org. Inquiries may also be sent via email to the Director at director@swcmcd.org.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

ASSETS	
Cash and cash equivalents	1,692,871
Inventory	89,549
Due from other governments	18,738
Other receivables	16,700
Restricted cash	3,031
Capital assets	500
Non-depreciable	1,058,240
Depreciable, net	1,058,240
TOTAL ASSETS	2,879,629
	<u>2,879,629</u>
	<u>366,510</u>
LIABILITIES	
Non-current liabilities, due in more than one year	45,842
Compensated absences	124,929
Other postemployment benefits	846,969
Net pension liability	1,017,740
TOTAL LIABILITIES	1,017,740
	<u>1,017,740</u>
	<u>62,645</u>
DEFERRED INFLOWS OF RESOURCES	
NET POSITION	
Net investment in capital assets	1,058,740
Restricted for arthropod control	3,031
Unrestricted	1,103,983
TOTAL NET POSITION	2,165,754
	<u>\$ 2,165,754</u>

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Net (Expense) and Revenue and Changes in Net Position	Program Revenues				Total government activities
	Capital Grants and Contributions	Operating Grants and Contributions	Charges for Services	Expenses	
					Government activities
					Human services
	\$ -	\$ 76,009	\$ -	\$ 1,735,491	Total government activities
	\$ -	\$ 76,009	\$ -	\$ 1,735,491	
	\$ (1,659,482)	\$ (1,659,482)			

General revenues	
Ad valorem taxes	\$ 2,185,258
Interest	1,969
Miscellaneous	29,361
Total general revenues	<u>2,216,588</u>

CHANGE IN NET POSITION	NET POSITION AT BEGINNING OF YEAR	NET POSITION AT END OF YEAR
557,106	1,608,648	\$ 2,165,754

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2017**

Total Governmental Funds	Special Revenue Fund	General Fund	ASSETS
\$ 1,692,871	-	\$ 1,692,871	Cash and cash equivalents
89,549	-	89,549	Inventory
18,738	-	18,738	Due from other governments
16,700	-	16,700	Other receivables
3,031	3,031	-	Restricted cash
			TOTAL ASSETS
\$ 1,820,889	\$ 3,031	\$ 1,817,858	FUND BALANCE
89,549	-	\$ 89,549	Nondisposable for inventory
3,031	3,031	-	Restricted for arthropod control
1,481,729	-	1,481,729	Assigned for reserves
246,580	-	246,580	Unassigned
			Total fund balance
\$ 1,820,889	\$ 3,031	\$ 1,817,858	TOTAL LIABILITIES AND FUND BALANCE

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
 GOVERNMENTAL FUNDS
 RECONCILIATION OF THE BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2017**

	Fund balance – total governmental funds (page 10)
	\$ 1,820,889
Amounts reported for governmental activities in the statements of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	500
Governmental non-depreciable assets	2,129,311
Governmental depreciable assets	(1,071,071)
Less accumulated depreciation	1,058,740
Deferred inflows of resources and deferred outflows of resources related to pensions are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.	366,510
Deferred outflows of resources – pensions	(62,645)
Deferred inflows of resources – pensions	303,865
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Other postemployment benefits	(124,929)
Compensated absences	(45,842)
Net pension liability	(846,969)
Net position of governmental activities (page 9)	(1,017,740)
	<u>\$ 2,165,754</u>

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	General Fund	Special Revenue Fund	Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,185,258	\$ -	\$ 2,185,258
Intergovernmental	-	76,009	76,009
Interest	1,963	6	1,969
Other	27,478	1,883	29,361
Total revenues	<u>2,214,699</u>	<u>77,898</u>	<u>2,292,597</u>
EXPENDITURES			
Human services	697,566	-	697,566
Personal services benefits	360,196	-	360,196
Operating expenses	74,154	-	74,154
Travel and per diem	12,479	-	12,479
Communication services	12,155	-	12,155
Freight services	2,191	-	2,191
Utility services	8,336	-	8,336
Rentals and leases	1,892	-	1,892
Insurance	39,516	-	39,516
Repair and maintenance services	53,301	-	53,301
Printing	40	-	40
Promotional activities	6,639	-	6,639
Other current charges and obligations	4,998	-	4,998
Office supplies	3,909	-	3,909
Operating supplies	49,760	-	49,760
Books, publications, subscriptions, and memberships	5,767	-	5,767
Training	10,537	-	10,537
Gasoline, oil, and lubricants	25,007	-	25,007
Chemicals, solvents, and additives	114,015	44,260	158,275
Capital outlay	213,438	-	213,438
Total expenditures	<u>1,695,896</u>	<u>44,260</u>	<u>1,740,156</u>
EXCESS REVENUES OVER EXPENDITURES	518,803	33,638	552,441
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	33,031	(33,031)	-
FUND BALANCE AT BEGINNING OF YEAR	1,266,024	2,424	1,268,448
FUND BALANCE AT END OF YEAR	<u>\$ 1,817,858</u>	<u>\$ 3,031</u>	<u>\$ 1,820,889</u>

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Excess of revenues over expenditures – total governmental funds (page 12) \$ 552,441

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

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

Expenditures for capital assets

Less current year depreciation – general government

213,438

(118,836)

94,602

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

Change in other postemployment benefits

(12,534)

Change in compensated absences

(11,111)

Change in net pension liability and related

(66,292)

deferred inflows and outflows

(89,937)

Change in net position of governmental activities (page 9)

\$ 557,106

See notes to the financial statements.

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

	Budgeted Amounts		Variance with Final Budget – Positive (Negative)
	Original	Final	
REVENUES			
Ad valorem taxes	\$ 2,176,012	\$ 2,176,012	\$ 9,246
Interest	-	-	1,963
Miscellaneous	-	-	27,478
Total revenues	2,176,012	2,176,012	38,687
EXPENDITURES			
Human services	755,940	755,940	58,374
Personal services benefits	406,610	406,810	46,614
Operating expenses	166,900	166,900	92,746
Travel and per diem	19,500	19,500	7,021
Communication services	12,500	12,500	345
Freight services	2,900	2,900	709
Utility services	10,650	10,650	2,314
Rentals and leases	5,000	15,000	13,108
Insurance	40,000	40,195	679
Repair and maintenance services	55,400	61,400	8,099
Printing	500	500	460
Promotional activities	6,000	9,000	2,361
Other current charges and obligations	4,550	5,050	52
Office supplies	5,000	5,000	1,091
Operating supplies	49,000	54,425	4,665
Books, publications, subscriptions, and memberships	6,000	6,000	233
Training	14,000	14,000	3,463
Gasoline, oil, and lubricants	39,625	39,625	14,618
Chemicals, solvents, and additives	160,271	160,272	46,257
Capital outlay	585,757	1,006,556	793,118
Contingency	80,000	104,905	104,905
Total expenditures	2,426,103	2,897,128	1,201,232
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(250,091)	(721,116)	1,239,919
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	(33,031)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	(51,691)	(838,371)	2,104,395
FUND BALANCE AT END OF YEAR	\$ (301,782)	\$ (1,559,487)	\$ 3,311,283

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

REVENUES	Budgeted Amounts		Actual	Variance with Final Budget – Positive (Negative)
	Original	Final		
Intergovernmental	\$ 47,310	\$ 47,310	\$ 76,009	\$ 28,699
Interest	-	-	6	6
Miscellaneous	-	-	1,883	1,883
Total revenues	47,310	47,310	77,898	30,588
EXPENDITURES				
Human services				
Chemicals, solvents, and additives	47,310	52,290	44,260	8,030
Total expenditures	47,310	52,290	44,260	8,030
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(4,980)	33,638	38,618
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	(33,031)	(33,031)
FUND BALANCE AT BEGINNING OF YEAR	-	-	2,424	2,424
FUND BALANCE AT END OF YEAR	\$ -	\$ (4,980)	\$ 3,031	\$ 8,011

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT

Description of District

South Walton County Mosquito Control District (the District) is an independent special district legally created by the laws of Florida, Chapter 388 Florida Statutes, on May 26, 1964. The District operates under the provisions of Chapter 388, Florida Statutes and Rule 5E-13 of the Florida Department of Agriculture and Consumer Services, Bureau of Entomology and Pest Control.

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 control disease-bearing arthropods and nuisance insects to improve the quality of life in South Walton County in Northwest Florida.

The following is a summary of the significant accounting policies of the District:

The Reporting Entity

The District is governed by a three member commission, each elected at-large for four-year terms. The powers of this commission are regulated by ordinances and resolutions of the District, Walton County, and the statutes of the State of Florida.

As required by GAAP, these financial statements present the District as the primary government. In evaluating the District as a reporting entity, management has considered all potential component units for which the District may or may not be financially accountable and, as such, be included within the District's financial statements. Management utilized criteria set forth in GASB No. 61 and 80 for determining financial accountability of potential component units in evaluating all potential component units.

In accordance with GASB No. 61, the District (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the District. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As of September 30, 2017, South Walton County Mosquito Control District had no component units, as defined by GASB 61 and 80.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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 all of the 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. For the most part, the effect of interfund activity has been removed from these statements.

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 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.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 has been recognized as revenue of the current fiscal period. Intergovernmental revenues collected and held by other governments at year-end on behalf of the District, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Measurement Focus and Basis of Accounting – Continued

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 discharge 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 current property tax calendar:

Lien Date	January 1, 2017
Levy Date	November 1, 2017
Due Date	November 1, 2017
Delinquent Date	April 1, 2018

Discounts of 1% for each month taxes are paid prior to March 2018 are granted.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 30 days of the current period be accrued. Therefore, the District accrues for the actual amount of ad valorem tax revenue received from the Tax Collector after September 30, but prior to November 1. No accrual is made for the 2017 ad valorem tax revenue levied by the Tax Collector on November 1 because property taxes are not legally due until the subsequent fiscal year. Any uncollected 2017 ad valorem taxes from the November 1, 2016 levy date, due April 1, 2017, are not recorded as a receivable at the balance sheet date because the outstanding balance is generally immaterial in amount and highly susceptible to uncollectability.

Basis of Presentation

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

Amounts reported as program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 government's policy to use restricted resources first and then unrestricted resources, as they are needed.

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

Basis of Presentation – Continued

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 following two governmental classifications are used by the District:

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.

Special Revenue Fund – This is used to account for revenue derived from specific sources that are legally restricted to expenditures for a specified purpose.

**Assets, Liabilities, and Net Position or Equity
Cash and Cash Equivalents**

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

Deposits and Investments

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government, collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, debt securities of the Federal Farm Credit Banks, the Federal Home Loan Mortgage 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 States, as well as with Chapter 280, Florida Statutes, which requires the District to maintain deposits only with "Qualified Public Depositories." The District maintains cash balances in non-interest bearing, interest bearing, and money market bank accounts.

Receivables and Payables

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans between funds outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans) or "advances" (i.e., the non-current portion of interfund loans).

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

Assets, Liabilities, and Net Position or Equity – Continued

Restricted Assets

Unspent funds in the Special Revenue Fund are classified as restricted assets because their use is limited by Florida Statutes.

Inventories

Inventories, consisting of expendable chemicals to be used in operations, are valued at the lower of cost (first-in, first-out) or market. The District utilizes the purchase method of accounting, which provides that expenditures are recognized when the inventory is purchased. Reported inventories are equally offset by a fund balance reserve in the fund financial statements, which indicates that they do not constitute "available spendable resources."

Capital Assets

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

Capital assets are defined by the District as assets with an initial cost of more than \$500. Assets are recorded at cost if purchased or constructed while donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Assets	Years
Buildings	5-50 Years
Improvements other than buildings	20-50 Years
Vehicles	5 Years
Equipment and furnishings	5-20 Years

Compensated Absences

Vested or accumulated personal leave time that is used and paid for with expendable available financial resources is reported as an expenditure. The current portion of leave (i.e., termination payments for unused leave, due for payment) is recorded as an expenditure and a liability in the General Fund, while the remainder is recorded as a liability in the government wide financial statements.

SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Assets, Liabilities, and Net Position or Equity – Continued
Compensated Absences – Continued
Annual Leave

At the end of 90 days of employment, paid annual leave is permitted. Full-time employees accrue the scheduled annual leave from the date of employment, but cannot use the accrued leave time until they have completed the 90 day introductory period. Continuous service is calculated from the date of original employment, with annual leave being accrued from that date.

Employees can accrue up to 240 hours of annual leave. Any earned unused personal leave time above 240 hours will be forfeited. Upon voluntary separation, an employee will be paid for their accrued but unused annual leave. If an employee is involuntarily discharged for cause, then the employee will not be entitled to payment of any accrued annual leave.

The amount of the unpaid compensated absences at September 30, 2017 was \$45,842.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements 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 will not be recognized as an outflow of resources (expense) until then. The District has only one item that qualifies for reporting in this category; deferred charges related to pensions as more fully described in Note 6 to the financial statements.

In addition to liabilities, the statements 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 will not be recognized as an inflow of resources (revenue) until that time. The District has only one item that qualifies for reporting in this category related to the defined benefit pension plan as more fully described in Note 6.

Long-Term Liabilities

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

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each plan, and additions to/deductions from the fiduciary net position of each plan have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions, if any) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Administrative costs are financed from each respective fund's investment earnings.

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

Assets, Liabilities, and Net Position or Equity – Continued

Classification of Fund Balance

GASB Statement 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance. In all other funds, unassigned is limited to negative residual fund balance.

The District, in its General Fund, presents nonspendable fund balance for inventory. In addition, as a part of the District's annual budgeting process, cash, capital outlay, self-insurance, and accrued compensated absence reserves are set aside which are classified as assigned fund balance. All other amounts in the General Fund are considered unassigned. Restricted fund balance in the Special Revenue Fund can only be used for artthropod control on approved work plan per external restriction. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

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.

Events Occurring After Reporting Date

The District has evaluated events and transactions that occurred between September 30, 2017 and March 14, 2018, which is the date that 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 and Special Revenue Fund. The Board of Commissioners must approve any revision to the budget. Comparisons are made of actual results to budgeted amounts. Budget data presented in the financial statements includes approved amendments to the original adopted budget. Budgetary data reflected in the financial statements are based on procedures required by Florida Statutes.

Budget workshops are held by the District in which proposed budget information is reviewed and discussed. A newspaper of general circulation in the District advertises the proposed budget. Public hearings are conducted for the purpose of hearing requests and concerns from the public.

The final budget is adopted by resolution. Any subsequent amendments must be enacted in the same manner as the original budget, except individual line item transfers, which are approved by the Board of Commissioners. The legal level of budgetary control is at the fund level.

Budget amounts reflected in the financial statements are originally adopted amounts as amended by action of the District Commissioners. All amendments to originally adopted amounts were made in a legally permissible manner.

3. DEPOSITS AND INVESTMENTS

Deposits

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

The District maintains its deposits, in three "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow Qualified Public Depositories to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a qualified public institution, the state treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under this method, all District deposits, including any certificates of deposit, are fully insured or collateralized with securities held by the State Treasurer in the District's name. Interest rate risk is mitigated with certificates of deposit with a 90-day or less maturity. The District does not have a formal policy for custodial credit risk, concentration of credit risk or interest rate risk.

At year-end, the reported amount of the District's deposits was \$1,695,902 and the bank balance was \$1,733,857, all of which was held by Qualified Public Depositories under Chapter 280, Florida Statutes.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

4. RECEIVABLES

Receivables at September 30, 2017, were as follows:

General Fund	
Governmental activities	
Due from other governments	
Due from Walton County Tax Collector	\$ 18,738
	<u>\$ 18,738</u>

In addition, there were miscellaneous receivables in the amount of \$16,700 at September 30, 2017.

5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 500	\$ -	\$ -	\$ 500
Total capital assets not being depreciated	500	-	-	500
Capital assets being depreciated				
Buildings	399,879	-	-	399,879
Building improvements	142,423	-	-	142,423
Furniture and equipment	1,408,598	213,438	(35,027)	1,587,009
Total capital assets being depreciated	1,950,900	213,438	(35,027)	2,129,311
Less accumulated depreciation	(987,262)	(118,836)	35,027	(1,071,071)
Total capital assets being depreciated, net	963,638	94,602	-	1,058,240
Governmental activities, net	\$ 964,138	\$ 94,602	\$ -	\$ 1,058,740

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

Human services	\$ 118,836
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6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Plan – Continued

Benefits Provided

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members. Also, the final average compensation for all these members is based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively, were as follows: Regular—7.52% and 7.92%; Senior Management Service—21.77% and 22.71%; Elected Officers—42.47% and 45.50%; and DROP participants—12.99% and 13.26%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017.

The District's contributions, including employee contributions, to the Pension Plan totaled \$55,594 for the fiscal year ended September 30, 2017.

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

At September 30, 2017, the District reported a liability of \$631,688 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-2017 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Plan – Continued

Inflows of Resources Related to Pensions
Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred
Inflows of Resources Related to Pensions
 At June 30, 2017, the District's proportionate share was 0.002135574 percent, which was a decrease of 0.000134985 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$116,237. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,974	\$ 3,499
Change of assumptions	212,292	-
Net difference between projected and actual earnings on Pension Plan investments	15,655	
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	41,958	17,651
District Pension Plan contributions subsequent to the measurement date	13,398	-
	<u>\$ 325,622</u>	<u>\$ 36,805</u>

The deferred outflows of resources related to the Pension Plan, totaling \$13,398 resulting from Authority contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year	Amount
2018	\$ 34,848
2019	92,624
2020	64,763
2021	13,233
2022	44,755
Thereafter	25,196
	<u>\$ 275,419</u>

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Plan – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for the calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	Current			
	Discount			
	Rate			
	(7.10%)			
	1% Decrease			
	(6.10%)			
	1% Increase			
	(8.10%)			
District's proportionate share of the net pension liability		\$	1,215,585	\$
		631,688		219,998

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

HIS Plan

Plan Description

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

HIS Plan – Continued

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the HIS contribution for the period October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017 was 1.66%. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled \$10,655 for the fiscal year ended September 30, 2017.

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

At September 30, 2017, the District reported a liability of \$215,280 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-2017 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.002013377 percent, which was an increase of 0.000079933 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$17,265. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 448
Change of assumptions	30,261	18,615
Net difference between projected and actual earnings on Pension Plan investments	119	-
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	7,991	6,777
District Pension Plan contributions subsequent to the measurement date	2,517	-
	<u>\$ 40,888</u>	<u>\$ 25,840</u>

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

HIS Plan – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

The deferred outflows of resources related to the HIS Plan, totaling \$2,517 resulting from Authority contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2018	\$ 3,668
2019	3,644
2020	3,633
2021	2,724
2022	1,074
Thereafter	(2,213)
	<u>\$ 12,531</u>

Actuarial Assumptions
 The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

HIS Plan – Continued

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 3.58%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

		1% Decrease	Rate	1% Increase	
Current Discount	(3.58%)	(2.58%)	(4.58%)		
District's proportionate share of the net pension liability	\$ 255,416	\$ 215,280	\$ 197,514		

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

7. OTHER POSTEMPLOYMENT BENEFITS

Plan Contributions, Funding Policy, and Annual OPEB Cost

South Walton County Mosquito Control District, offers health and life benefits to retirees. These benefits are provided by various insurance companies and are the same benefits that are provided to active employees. The premiums charged to the District are blended.

After a full-time employee has completed twenty (20) years of service with the District, he/she is eligible to retire with 50% of the health and life insurance premiums paid by the District until the employee starts receiving FRS retirement benefits. At this time, the District will pay the premium in full, minus the Health Insurance Subsidy (HIS) received monthly from FRS.

After a full-time employee completes thirty (30) years of service with the District, they will receive FRS benefits at retirement regardless of age. One hundred percent (100%) of the health and life insurance premiums will be paid by the District minus the Health Insurance Subsidy (HIS) received monthly from the FRS.

The District's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

7. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Plan Contributions, Funding Policy, and Annual OPEB Cost – Continued
 ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	Annual required contribution
	\$ 27,643
	Interest on net OPEB obligation
	4,496
	Adjustment to annual required contribution
	(6,712)
	Annual OPEB cost (expense)
	25,427
	Estimated net contributions made
	(12,893)
	Anticipated increase in net OPEB obligation
	12,534
	Net OPEB obligation – beginning of year
	112,395
	Net OPEB obligation – end of year
	<u>\$ 124,929</u>

*These numbers are based on the most recent actuarial valuation report dated October 1, 2016.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net obligation for the current and preceding two years ending September 30 are as follows:

Year Ending September 30,	Annual OPEB Cost	Percentage Contribution	Net OPEB Obligation
2017	\$ 25,427	50.7%	\$ 124,929
2016	26,038	38.9%	112,395
2015	28,151	34.7%	96,479

There is no funding for these benefits as they are on a "pay as you go" basis. In the actuarial valuation dated October 1, 2016, the Entry Age Normal (level % of pay) actuarial cost method was used. Select actuarial assumptions are as follows: Funding Interest Rate of 4.0%; Health Care Inflation: Pre-Medicare 7.25% (trending to 5.0% in 2020, then 4.5% thereafter), Post-Medicare 8.0% (trending to 5.0% in 2020, then 4.5% thereafter). Payroll Growth/Inflation Assumption 0.0%; and Amortization of UAAL: Level Percentage of Payroll (Closed Amortization over 30 Years).

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

8. 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, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities	\$ 34,731	\$ 79,081	\$ (67,970)	\$ 45,842
Compensated absences	112,395	32,139	(19,605)	124,929
Other postemployment benefits	817,286	327,131	(297,448)	846,969
Net pension liability	\$ 964,412	\$ 438,351	\$ (385,023)	\$ 1,017,740
Total governmental activities				

9. INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2017, were as follows:

Fund	Transfers to Other Fund	Transfers from Other Fund
General Fund	\$ 33,031	\$ -
Special Revenue Fund	-	(33,031)

Transfers are used to reimburse the General Fund to reflect the payment of special revenue fund expenditures with General Fund monies.

10. RISK MANAGEMENT

South Walton County Mosquito Control 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.

The District pays the premiums for health, dental, and basic life insurance for all full-time employees and District Commissioners. Eligible employees may extend health and supplemental health insurance coverage to their family members. A portion, 72%, of the premiums is paid by the District. Additional life insurance and dependent dental coverage is also available through the District on a voluntary basis. Dependent life insurance and dental premiums are the full responsibility of the employee.

10. RISK MANAGEMENT – CONTINUED

Life and Accidental Death and Dismemberment Insurance
Eligible employees participating in the health plan are automatically enrolled in the group life and accidental death and dismemberment (AD&D) insurance plan. Life insurance coverage for employees is paid by the District. Dependent coverage is available at the employee's expense.

Supplemental Reimbursement Program

This program is designed to help pay the cost of needed professional health care services not covered by District insurance policies and is available to all full-time employees, officers, and their dependents. Amounts not used on professional health care service each year accumulate for future use. Upon employee termination no amounts are owed under this program. The District allows \$1,250 per employee unless the employee is receiving a District contribution allowance of \$144. In that case, the contribution is reduced to \$1,106.

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM
LAST THREE YEARS
UNAUDITED**

	2017	2016	2015
Contractually required contribution	\$ 55,594	\$ 55,371	\$ 53,632
Contributions in relation to the contractually required contribution	(55,594)	(55,371)	(53,632)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 697,566	\$ 655,077	\$ 656,437
Contributions as a percentage of covered-employee payroll	7.97%	8.45%	8.17%

* The amounts presented for each fiscal year were determined as of 6/30.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 HEALTH INSURANCE SUBSIDY
 LAST THREE YEARS
 UNAUDITED**

	2017	2016	2015
Contractually required contribution	\$ 10,655	\$ 10,730	\$ 7,935
Contributions in relation to the contractually required contribution	(10,655)	(10,730)	(7,935)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 697,566	\$ 655,077	\$ 656,437
Contributions as a percentage of covered-employee payroll	1.53%	1.64%	1.21%

* The amounts presented for each fiscal year were determined as of 6/30.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
UNAUDITED**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2016	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2015	\$ -	\$ 231,093	\$ 231,093	0%	\$ 627,849	36.8%
10/1/2014	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2013	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2012	\$ -	\$ 195,287	\$ 195,287	0%	\$ 537,253	36.3%

Note: The information presented in this schedule was determined as part of the actuarial valuations at the dates indicated.

Additional information as of the latest actuarial valuation can be found in Note 7 to the financial statements.

Independent Auditors' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, Rules of the Auditor General

To the Board of Commissioners
South Walton County Mosquito Control District

We have examined South Walton County Mosquito Control District's compliance with the following requirements for the year ended September 30, 2017.

Florida Statute 218.415 in regards to the investments.

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

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

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

Warren Avertt, LLC

Destin, Florida
March 14, 2018

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.

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

In planning and performing our audit of the financial statements, we considered South Walton County Mosquito Control District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Walton County Mosquito Control District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Walton County Mosquito Control District's internal control.

Internal Control over Financial Reporting

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general and special revenue funds of South Walton County Mosquito Control District, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise South Walton County Mosquito Control District's basic financial statements, and have issued our report thereon dated March 14, 2018.

To the Board of Commissioners
South Walton County Mosquito Control District

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Walton County Mosquito Control District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Wynn Audit, LLC

Destin, Florida
March 14, 2018



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MANAGEMENT LETTER

To the Board of Commissioners
 South Walton County Mosquito Control District

Report on the Financial Statements

We have audited the financial statements of the South Walton County Mosquito Control District (the District) as of and for the year ended September 30, 2017, and have issued our report thereon dated March 14, 2018.

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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedules, which are dated March 14, 2018, 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. No findings were reported in the prior year.

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.

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 South Walton County Mosquito Control District has met one or more of the conditions described in Section 218.503(1), Florida Statutes; and to identify the specific condition(s) met. In connection with our audit, we determined that the South Walton County Mosquito Control District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied management's responsibility to monitor the South Walton County Mosquito Control District. It is financial condition assessment procedures for South Walton County Mosquito Control District. It is financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the South Walton County Mosquito Control District for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of this Letter

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

Walter A. ... LLC

Destin, Florida
March 14, 2018