

# Destin Fire Control District

## Financial Statements

September 30, 2016



**CRI** CARR  
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**Destin Fire Control District**  
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**September 30, 2016**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Destin Fire Control District  
Destin, Florida

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Destin Fire Control District ("the District") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the internal control over financial reporting or 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

March 14, 2017



## **Management's Discussion and Analysis**

## Destin Fire Control District Management's Discussion and Analysis

This discussion and analysis (MD&A) of the Destin Fire Control District (the "District") financial condition provides an overview of financial activity, identifies changes in financial position, and assists the reader in focusing on significant financial issues. The primary purpose of the District is to provide fire suppression, fire inspection, rescue and emergency medical care for the following area in Okaloosa County: all lands bounded on the West by the East Pass, on the North by Choctawhatchee Bay, on the East by Walton County and on the South by the Gulf of Mexico. Although it is important to the long-term existence of the District to maintain its financial health, assets are accumulated only to the extent required to ensure that there are sufficient reserve funds for future operations and anticipated capital acquisitions.

The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

### HIGHLIGHTS

#### *Financial Highlights (Government wide)*

- Total assets increased \$551,653
- Net position increased by \$257,481
- Total revenues increased approximately \$34,000 and total expenses increased \$477,900. Revenues increased due to growth in the District tax base resulting in additional ad valorem taxes however impact fees declined due to fluctuations with new construction in the tax base. Expenses increased as a result of additional pension costs during the year.

#### *District Highlights*

The Beach Safety Program maintains a standardized beach safety program. The District has been designated an Advanced Certified Lifeguard Agency by the United States Lifesaving Association. Advanced agency certification is intended to recognize and encourage higher training standards, longer training periods, and other requirements. Lifeguards are USLA certified and receive training in First Aid, CPR, and AED. During the 2015-2016 fiscal year, Beach Safety Patrol aided with 60,348 preventive acts, 281 boat and personal watercraft infractions, 32 major medical responses, 141 minor aid requests, 97 missing and lost persons, 347 assists, 31 marine stings, and 196 persons rescued.

During the 2015-2016 fiscal year, the Fire District responded to 3,032 alarms. These responses include 72 fires, 2,164 emergency medical calls, 74 hazardous conditions, 155 service calls, 560 good intent and false alarm calls, and a few other types of emergency responses.

### USING THE ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, as amended by Statement 37.

## Destin Fire Control District Management's Discussion and Analysis

### USING THE ANNUAL REPORT (CONTINUED)

The Statement of Net Position and the Statement of Activities on pages 9-10 provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide financial statements by providing information about the District's funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

Keys to understanding the financial condition of the District are the Statement of Net Position and the Statement of Activities. These statements present financial information in a form similar to that used by private business enterprises. The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. The net position of the District (the difference between assets and liabilities) is one indicator of the District's financial health or financial position.

### CONDENSED STATEMENT OF NET POSITION

The following table reflects the condensed Statement of Net Position and is compared to the prior year.

<i>As of September 30,</i>	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 5,762,490	\$ 5,497,410	\$ 265,080
Capital assets	3,443,605	3,157,032	286,573
Total assets	<u>9,206,095</u>	<u>8,654,442</u>	<u>551,653</u>
<b>Deferred outflows of resources</b>	<u>1,767,282</u>	<u>1,048,720</u>	<u>718,562</u>
Total assets and deferred outflows of resources	<u>\$ 10,973,377</u>	<u>\$ 9,703,162</u>	<u>\$ 1,270,215</u>
<b>Liabilities</b>			
Current liabilities	\$ 586,107	\$ 291,585	\$ 294,522
Other liabilities	10,548,298	9,573,387	974,911
Total liabilities	<u>11,134,405</u>	<u>9,864,972</u>	<u>1,269,433</u>
<b>Deferred inflows of resources</b>	<u>1,054,505</u>	<u>1,311,204</u>	<u>(256,699)</u>
<b>Net position</b>			
Net investment in capital assets	3,443,605	3,157,032	286,573
Restricted - impact fees	948,976	841,982	106,994
Unrestricted	(5,608,114)	(5,472,028)	(136,086)
Total net position	<u>(1,215,533)</u>	<u>(1,473,014)</u>	<u>257,481</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,973,377</u>	<u>\$ 9,703,162</u>	<u>\$ 1,270,215</u>

For more detailed information, see the accompanying Statement of Net Position.

## Destin Fire Control District Management's Discussion and Analysis

Total assets increased \$551,653 or 6% during the fiscal year ended September 30, 2016. Current assets increased \$265,080 due to a pending receivable from the State of Florida for Pension funds as compared to prior year. Total liabilities increased \$1,269,433 or 13% over prior year primarily as a result of an increase in the net pension liability.

### CONDENSED STATEMENTS OF ACTIVITIES

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>Year ended September 30,</i>	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Program revenues:</b>			
Public safety contributions	\$ 268,847	\$ 331,948	\$ (63,101)
Grants and contributions	2	35,565	(35,563)
Beach safety contributions	662,304	653,373	8,931
Charges for services	24,240	38,812	(14,572)
Total program revenues	<u>955,393</u>	<u>1,059,698</u>	<u>(104,305)</u>
<b>General revenues:</b>			
Ad Valorem taxes	4,826,380	4,551,031	275,349
Impact fees	137,253	369,516	(232,263)
Investment income	38,884	3,881	35,003
Miscellaneous	19,887	-	19,887
Gain (Loss) on disposal of fixed assets	29,604	(10,948)	40,552
Total general revenues	<u>5,052,008</u>	<u>4,913,480</u>	<u>138,528</u>
Total revenues	<u>6,007,401</u>	<u>5,973,178</u>	<u>34,223</u>
<b>Program expenses:</b>			
Public safety			
Personal services	4,273,451	3,849,048	424,403
Operating services	508,607	454,658	53,949
Depreciation	354,078	344,623	9,455
Total public safety expenses	<u>5,136,136</u>	<u>4,648,329</u>	<u>487,807</u>
Beach Safety			
Personal services	490,065	495,675	(5,610)
Operating services	92,873	93,157	(284)
Depreciation	30,846	34,859	(4,013)
Total beach safety expenses	<u>613,784</u>	<u>623,691</u>	<u>(9,907)</u>
Total expenses	<u>5,749,920</u>	<u>5,272,020</u>	<u>477,900</u>
Increase (decrease) in net position	257,481	701,158	(443,677)
Net position, beginning	<u>(1,473,014)</u>	<u>(2,174,172)</u>	<u>701,158</u>
Net position, ending	<u>\$ (1,215,533)</u>	<u>\$ (1,473,014)</u>	<u>\$ 257,481</u>

For more detailed information, see the accompanying Statement of Activities.



## **Destin Fire Control District Management's Discussion and Analysis**

### **CONDENSED STATEMENTS OF ACTIVITIES (CONTINUED)**

Grants and contributions decreased \$35,563 as compared to prior year primarily due to EMS grant funds and donations in the prior year. Ad valorem tax revenues increased \$275,349 or 6% from the previous year as a result of growth in the taxable base. Impact fees decreased \$232,263 or 63% as compared to prior year as a result of a reduction in construction projects. Public safety expenses increased 10% or \$487,807 as compared to prior year as a result of increased pension expenses.

Overall, net position increased \$257,481 for fiscal year 2016.

### **GOVERNMENTAL FUND**

As of September 30, 2016, the District's governmental fund (as presented on pages 11 - 15) reported a fund balance of \$5,260,007 which is a decrease of \$31,134 or 1% as compared to the prior year.

During fiscal year 2016, the District incurred \$700,217 in capital outlay expenditures which represents an increase of \$544,260 or 349% from prior year capital outlay expenditures of \$155,957. This increase was due to the purchase of a new fire truck during the current year.

### **GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS**

The Fire Commissioners approve the operating budget by September 30<sup>th</sup> each year. Over the course of the year, the Fire Commissioners revised the budget. There were several factors that led to the variance with actual revenues and expenditures as compared to the Commissioner approved budget. First, the District experienced an unfavorable decrease in revenues as compared to the budget in the amount of \$98,910. This decrease occurred as a result of reduced grants and pension fund contributions collected than originally estimated.

The District experienced a favorable variance as compared to final budget in capital outlay in the amount of \$52,236. For regular operating expenditures, the District experienced a favorable reduction in expenses of \$249,319 primarily as a result of reduced insurance, wage costs, and maintenance.

Overall, the General Fund had a favorable increase as compared with the final budget in the amount of \$202,645.

### **CAPITAL ASSETS**

At September 30, 2016, the District had \$3,443,605 invested in capital assets (net of depreciation). This amount represents a net increase (including additions and deductions) of \$286,573 or 9% over the fiscal year 2015 total. The District acquired a new fire truck apparatus during fiscal year 2016.

## Destin Fire Control District Management's Discussion and Analysis

### CAPITAL ASSETS (CONTINUED)

A listing of capital assets by major category for the current and prior year follows:

<i>September 30,</i>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Land	\$ 278,555	\$ 278,555	\$ -
Buildings and improvements	2,736,194	2,733,933	2,261
Equipment	1,589,947	1,529,086	60,861
Vehicles/Apparatus	<u>2,660,458</u>	<u>2,357,052</u>	<u>303,406</u>
Total, prior to depreciation	7,265,154	6,898,626	366,528
Accumulated depreciation	<u>(3,821,549)</u>	<u>(3,741,594)</u>	<u>(79,955)</u>
Net capital assets	<u>\$ 3,443,605</u>	<u>\$ 3,157,032</u>	<u>\$ 286,573</u>

More information about the District's capital assets is presented in Note 3 to the financial statements.

### LONG-TERM LIABILITIES

At September 30, 2016, the District has long-term liabilities which include compensated absences, an estimated liability for other postemployment benefits ("OPEB"), and a net pension liability. The District's long-term liabilities increased \$974,911 as compared to 2015.

<i>September 30,</i>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Compensated absences, more than one year	\$ 148,563	\$ 161,000	\$ (12,437)
Other postemployment benefit liability	102,000	80,407	21,593
Net pension liability	<u>10,297,735</u>	<u>9,331,980</u>	<u>965,755</u>
Total long-term liabilities	<u>\$ 10,548,298</u>	<u>\$ 9,573,387</u>	<u>\$ 974,911</u>

Additional information about the District's long-term liabilities is presented in Note 4 to the financial statements.

### FUTURE FINANCIAL FACTORS

Destin Fire Control District, formed in 1971, became an independent fire control district by Special Act 98-470, Laws of Florida, operating under the provisions of Chapter 191, Florida Statutes. The District operates under an elected Board of Fire Commissioners. The Board establishes policy and sets the millage rate. The District has taxing authority as revenues are generated by ad valorem taxes. Millage rates for fiscal year 2017 have been established to provide for the operations of the District and necessary capital requirements. The millage rate for 2017 has been approved by the Board of Fire Commissioners at 1.00 which is the maximum rate allowable under the District charter.



## Destin Fire Control District Management's Discussion and Analysis

### **BOARD OF FIRE COMMISSIONERS**

J.Thomas Green  
Chairman

Rick Moore  
Co-Chairman

Jack Wilson  
Secretary/Treasurer

Bob Wagner  
Commissioner

Mike Buckingham  
Employee Relations Commissioner

### **RETIREMENT BOARD OF TRUSTEES**

Mark Baugh

Bob Hensley

Bill Lindsley

Doug Ingram

T.J. Buchanan

### **MANAGEMENT**

Kevin Sasser  
Fire Chief

Kathryn Wagner  
Administrative Division Chief



## **Financial Statements**

**Destin Fire Control District  
Statement of Net Position**

September 30,

2016

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,170,288
Investments	4,121,517
Due from other governments	268,847
Accounts receivable	168,632
Prepaid expenses	33,206
Capital assets, net	3,443,605
<b>Total assets</b>	<b>9,206,095</b>
<b>Deferred outflows of resources</b>	
Pension	1,767,282
<b>Total deferred outflows of resources</b>	<b>1,767,282</b>
<b>Liabilities</b>	
Accounts payable	77,848
Due to pension fund	268,847
Accrued salaries and benefits payable	97,241
Compensated absences - due within one year	142,171
Compensated absences - due in more than one year	148,563
OPEB liability	102,000
Net pension liability	10,297,735
<b>Total liabilities</b>	<b>11,134,405</b>
<b>Deferred inflows of resources</b>	
Pension	1,054,505
<b>Total deferred inflows of resources</b>	<b>1,054,505</b>
<b>Net position</b>	
Invested in capital assets	3,443,605
Restricted - impact fees	948,976
Unrestricted	(5,608,114)
<b>Total net position</b>	<b>\$ (1,215,533)</b>

*The accompanying footnotes are an integral part of these financial statements.*

**Destin Fire Control District  
Statement of Activities**

Year ended September 30,

**2016**

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government:</b>					
Governmental activities:					
Public safety	\$ (5,136,136)	\$ 24,240	\$ 268,847	\$ 2	\$ (4,843,047)
Beach safety	(613,784)	-	662,304	-	48,520
Total governmental activities	\$ (5,749,920)	\$ 24,240	\$ 931,151	\$ 2	(4,794,527)
General revenues					
Ad valorem taxes collected, net of fees					4,826,380
Impact fees					137,253
Investment income					38,884
Miscellaneous					19,887
Gain (Loss) on sale of fixed assets					29,604
Total general revenues					5,052,008
Change in net position					257,481
Net position - beginning of the year					(1,473,014)
Net position - end of the year					\$ (1,215,533)

*The accompanying footnotes are an integral part of these financial statements.*

**Destin Fire Control District  
Balance Sheet – Governmental Fund**

September 30,

2016

	<b>General Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,170,288
Investments	4,121,517
Due from other governments	268,847
Accounts receivable	168,632
Prepaid expenditures	33,206
<hr/>	
Total assets	\$ 5,762,490
<hr/>	
<b>Liabilities and Fund Balances</b>	
Accounts payable	\$ 77,848
Due to pension fund	268,847
Accrued salaries and benefits payable	97,241
Compensated absences payable	58,547
<hr/>	
Total liabilities	502,483
<hr/>	
Fund balances	
Nonspendable	33,206
Restricted	948,976
Committed	69,873
Assigned	2,867,191
Unassigned	1,340,761
<hr/>	
Total fund balances	5,260,007
<hr/>	
Total liabilities and fund balances	\$ 5,762,490
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*The accompanying footnotes are an integral part of these financial statements.*

**Destin Fire Control District**  
**Reconciliation of the Governmental Fund Balance Sheet**  
**to the Statement of Net Position**

<i>September 30,</i>	<b>2016</b>
Total fund balances, governmental funds	\$ 5,260,007
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	3,443,605
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental fund balance sheet.	
Deferred outflows of resources - pension	1,767,282
Deferred inflows of resources - pension	(1,054,505)
Long-term OPEB liabilities do not consume current resources and therefore are not reported in the governmental funds balance sheet.	(102,000)
Compensated absences do not consume current resources and therefore, are not reported in the governmental funds balance sheet.	(232,187)
Net pension liability does not consume current resources and therefore, is not reported in the governmental funds balance sheet.	(10,297,735)
<b>Total net position - governmental activities</b>	<b>\$ (1,215,533)</b>

*The accompanying footnotes are an integral part of these financial statements.*



**Destin Fire Control District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance –**  
**Governmental Fund (Continued)**

<i>Year ended September 30,</i>	<b>2016</b>
	<b>General Fund</b>
<b>Revenues</b>	
Ad valorem taxes, net of discounts and tax collection fees	\$ 4,826,380
Investment income	38,884
Beach safety donations	662,304
State pension fund contributions	268,847
Impact fees	137,253
Miscellaneous	102,454
<b>Total revenues</b>	<b>6,036,122</b>
<b>Expenditures</b>	
<b>Current</b>	
Public safety:	
Personnel services:	
Salaries	2,132,470
Employees' retirement:	
Section 175 retirement contribution	1,305,282
457 Plan retirement fund contribution	39,426
Group employee life and health insurance	553,284
Taxes - payroll	157,398
Workers compensation	74,478
Education	5,235
Miscellaneous	7,921
Operating services:	
Accounting and legal	114,251
Advertising	3,492
Central dispatch	1,700
Dues and subscriptions	16,284
Equipment - noncapital	45,678
Fuel	15,245
Hazardous material program	7,107
Insurance	60,658
Miscellaneous	17,593
Property appraisal fees	68,823
Repairs and maintenance	82,642

(continued)

*The accompanying footnotes are an integral part of these financial statements.*

**Destin Fire Control District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance –**  
**Governmental Fund (Continued)**

<i>Year ended September 30,</i>	<b>2016</b>
	<b>General Fund</b>
Operating services (continued):	
Fire and paramedic supplies	9,622
Station supplies	7,227
Training	3,785
Uniforms	9,971
Utilities	44,529
Beach safety:	
Personnel services:	
Salaries	404,201
Section 175 retirement contribution	38,200
Taxes - payroll	29,080
Insurance	18,584
Operating services:	
Dues and subscriptions	13,265
Fuel	4,410
Insurance	36,097
Miscellaneous	20,597
Repairs and maintenance	11,224
Supplies	6,671
Utilities	609
<b>Capital Outlay</b>	
Vehicles and equipment - public safety	606,660
Vehicles and equipment - beach safety	91,296
Building	2,261
Total expenditures	6,067,256
Excess (deficit) of revenues over expenditures	(31,134)
Fund balances, beginning of year	5,291,141
Fund balances, end of year	\$ 5,260,007

*The accompanying footnotes are an integral part of these financial statements.*

**Destin Fire Control District**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balance of Governmental Funds to the Statement of Activities**

<i>Year ended September 30,</i>	<b>2016</b>
Net change in fund balances - governmental fund	\$ (31,134)
Capital outlay, reported as expenditures in the governmental fund, is shown as capital assets in Statement of Net Position.	700,217
Depreciation expense on capital assets included in the Statement of Activities does not require the use of current financial resources; therefore it is not reported as an expenditure in the governmental fund.	(384,924)
Current change in long-term OPEB obligation does not consume current resources and therefore is not reported in the governmental fund.	(21,593)
Proceeds received on the sale of capital assets are received as income on the fund financial statements but are used to reduce the basis of the asset on the Statement of Net Position.	(58,325)
Deferred pension expenses are applicable to future periods and, therefore, are not reported in the funds.	9,506
Gains (loss) on the disposal of fixed assets do not require the use of current financial resources; therefore they are not reported as expenditures in the governmental fund.	29,604
Current year change in compensated absence liability does not consume current resources so therefore it is not reflected in the governmental fund.	14,130
Change in net position of governmental activities	\$ 257,481

*The accompanying footnotes are an integral part of these financial statements.*

**Destin Fire Control District**  
**Statement of Fiduciary Net Position – Pension Trust Fund**

<i>September 30,</i>	<b>2016</b>
<hr/>	
<b>Assets</b>	
Investments	\$ 15,667,177
Due from general fund	268,847
<hr/>	
Total assets	15,936,024
<hr/>	
<b>Liabilities</b>	
Accounts payable	24,397
<hr/>	
Total liabilities	24,397
<hr/>	
<b>Net position</b>	
Net position restricted for pensions	\$ 15,911,627
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*The accompanying footnotes are an integral part of these financial statements.*

**Destin Fire Control District**  
**Statement of Changes in Fiduciary Net Position – Pension Trust Fund**

<i>Year ended September 30,</i>	<b>2016</b>
<b>Additions</b>	
Contributions - District/State	\$ 1,343,482
Contributions - plan members	107,918
Total contributions	1,451,400
<b>Investment Income (loss)</b>	
Net appreciation (loss) in fair value of investments	(11,513)
Gain (loss) on sale of investments	993,236
Interest and dividends	551,790
Total net investment income	1,533,513
Total additions	2,984,913
<b>Deductions</b>	
Administrative expense	39,743
Legal expense	7,134
Benefit payments	977,835
Fiduciary liability insurance	3,123
Total deductions	1,027,835
Change in net position	1,957,078
Net position restricted for pensions - beginning of the year	13,954,549
Net position restricted for pensions - end of the year	\$ 15,911,627

*The accompanying footnotes are an integral part of these financial statements.*

## Destin Fire Control District Notes to Financial Statements

### NOTE 1 – NATURE OF ORGANIZATION

The Destin Fire Control District is a special independent District created by Chapter 71-787, Laws of Florida in 1971. The original charter was amended by Chapter 82-335, Laws of Florida during 1982 and again by 2000-417 in 2000. The District operates under an elected Board of Commissioners form of government and provides the following services: fire suppression, fire inspection, beach safety, rescue and emergency medical.

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationships with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are reported.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

#### ***Measurement Focus, Basis of Accounting and Basis of Presentation***

**Government-wide Financial Statements** – Government-wide financial statements, including the statement of net position and statement of activities, present information about the District as a whole. These statements include the non-fiduciary financial activity of the primary government.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

## Destin Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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.

Government-wide financial statement net position is divided into three components – invested in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Invested in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of amounts that do not meet the definition of “restricted” or “invested in capital assets”.

### Fund Financial Statements –

Governmental Funds are used to account for the general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year end.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

## Destin Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ad valorem taxes, reimbursements for incidents and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The District reports the following major governmental fund:

General Fund - The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

The following is a description of the District's various fund balance accounts:

Nonspendable fund balance includes amounts that are not in a spendable form (prepaid insurance, for example) or are required to be maintained intact.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, impact fees as authorized under Florida Statute 191.009(2)), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of the resource provider.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority which is the Board of Commissioners. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body (the board of commissioners) or by an official or body (management) to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

Restricted resources are only used for their specific designation and with approval from the Board of Commissioners. Committed and Assigned funds are used for their specific designation. If the District does not have sufficient funds allocated to committed or assigned funds to cover the full cost of an expenditure, then unassigned funds would be used to cover the remaining portion.



## Destin Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in the unrestricted fund balance classification could be used.

For the year ended September 30, 2016, the District does not report any proprietary funds.

**Fiduciary Funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

Pension Trust Fund – Pension Trust Funds are accounted for using the accrual basis of accounting. The Pension Trust Fund accounts for the assets of the District's defined benefit plan (Florida Statute Chapter 175 Firefighters' Pension Trust Fund).

#### ***Cash, Deposits and Investments***

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The District's Investment Policy (adopted by Resolution 16-05) authorizes the following investments: direct obligations of the United States Treasury; the Local Government Surplus Funds Trust as created by Section 218.405, Florida Statutes; agency securities; and interest-bearing time deposits or savings accounts in authorized financial institutions.

Cash and cash equivalents at September 30, 2016 consisted of \$1,170,288 in checking accounts. The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, 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 the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB Statement Number 40, *Deposits and Investment Disclosures (An Amendment of GASB Statement Number 3)*.

## Destin Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Capital Assets***

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements but are not recorded in the governmental fund financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$1,000. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property and equipment sold, destroyed or obsolete is removed from the accounts periodically. Interest cost is not capitalized on self-constructed fixed assets.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives: Buildings and improvements – 30 years and vehicles and equipment – 5 to 15 years.

#### ***Accrued Compensated Absences***

No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Vested or accumulated vacation leave that is used and paid for with expendable available financial resources is reported as an expenditure. The current and long-term portion of vested leave payable is recorded as an expense and a liability in the government-wide financial statements.

Any change during the year in the long-term compensated absence liability is a reconciling item between the government-wide financial statements and the fund-level financial statements. The long-term compensated absence liability at September 30, 2016 was \$148,563 and the current portion of the compensated absence liability as reported in the Government-wide financial statements was \$142,171. When combined, the District has a total accrued compensated absence liability of \$290,734 as of September 30, 2016.

#### ***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

#### ***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires the District's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Destin Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Ad Valorem Tax Revenue*

Significant dates relative to ad valorem tax revenue are as follows:

Assessment Date - January 1st  
Maximum Discount - November 1st  
Past Due - April 1st of the following year  
Tax Certificates Sold - June 1st of the following year

The Board of Commissioners approved for this fiscal year the millage rate of 1.000. The District's charter establishes 1 mill as the highest rate the District can assess.

#### *Budgets*

An appropriated budget is legally adopted for the general fund. Any revision to the budget must be approved by the Board of Commissioners. The budgets are compared to budgetary basis expenditures, whereby encumbrances are treated as expenditures.

The budgetary basis is the actual expenditures adjusted by the change in year-end reserve for encumbrances. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorized amounts including authorization for prior year encumbrances. Unencumbered appropriations are lapsed at year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to September 1, the Fire Chief and a committee appointed by the Board of Commissioners submit to the Board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. The budget is submitted in summary form, but a more detailed line item budget is included for administrative control. The level of control for the detailed budget is at the department head level.
- C. Upon tentative approval by the Board of Commissioners, public hearings are conducted to obtain taxpayer comment.
- D. Prior to September 30, the budget is legally enacted through approval by the Board.
- E. Formal budgetary integration is employed as a management control device during the year for the general fund.
- F. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).
- G. Appropriations lapse at the end of each fiscal year.
- H. The Board of Commissioners may authorize supplemental appropriations during the year.

## Destin Fire Control District Notes to Financial Statements

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***Encumbrances***

To prevent over-expenditure of funds, the District has adopted an encumbrance system. Under this system, when approved purchase orders are outstanding at year-end, a commitment of fund balance is made. The amount segregated acts as a reminder that commitments (encumbrances) have been made and should not be included in Unassigned Fund Balance. Encumbered amounts are included within committed or assigned fund balance, as appropriate, based on the definitions and criteria described previously.

#### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes include 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) until then. The District has one item related to pensions that qualifies for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes include 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 then. The District has one item also related to pensions that qualifies for reporting in this category.

#### ***New Pronouncements***

The GASB issued Statements No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants* effective for reporting periods beginning after June 15, 2015. The statements address accounting and financial reporting issues related to fair value measurements; provide guidance in determining a fair value measurement with accepted valuation techniques to enhance comparability; and establish accounting and financial reporting standards for external investment pools valued at amortized cost. Adoption of these two standards did not have a significant effect on the District's financial statements.

### NOTE 3 – INVESTMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Intergovernmental investment pool funds are held with Florida Local Government Investment Trust (FLGIT) and are valued using a variable NAV based on fair value. This fund has no unfunded commitments, allows unlimited daily redemptions, and invests in money market securities, US Treasuries, commercial paper, asset backed mortgages, Corporate, Municipal, and Government bonds. This fund does not institute liquidity fees or redemption gates.

## Destin Fire Control District Notes to Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

Investments at September 30, 2016 are shown below:

	Fair Value Measurements Using			Fair Value
	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
<b>Funds</b>				
Short Term Bond Fund (FLGIT)	\$ -	\$ 4,119,663	\$ -	\$ 4,119,663
<b>Other</b>				
Other Investments	-	1,854	-	1,854
	<u>\$ -</u>	<u>\$ 4,121,517</u>	<u>\$ -</u>	<u>\$ 4,121,517</u>

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits investments of operating funds to a maximum of twenty-four (24) months as a means of managing its exposure to fair value losses arising from an increase in interest rates.

The Short Term Bond fund uses a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. For the year ended September 30, 2016, the weighted average maturity was 1.61 years with an effective duration of 1.43 years.

#### *Credit Risk*

The District's General Fund investment policy authorizes the following investments which are limited to credit quality ratings from nationally recognized rating agencies as follows:

- United States Treasury Obligations
- United States Government Agencies (United States Government Sponsored Enterprise ("GSE")) limited to the Federal Farm Credit Bank (FFCB), Federal Home Loan Bank or its District banks (FHLB), Federal National Mortgage Association (FNMA) and Governmental National Mortgage Association (GNMA).
- Negotiable Certificates of Deposit
- Local Government Surplus Trust Fund or any intergovernmental investment pool

At September 30, 2016, the FLGIT Short Term Bond Fund had a credit rating of AAf.

**NOTE 3 – INVESTMENTS (CONTINUED)**

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book-entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.

The District's investment policy requires that all investment securities, except for investments in certificates of deposit, that are purchased by the District to be held by third party custodians and be properly designated as an asset of the District. All investments were held in third-party custodial accounts in the District's name.

*Concentration of Credit Risk*

The District's investment policy has established permitted investment sectors which are designed to reduce concentration of credit risk of the District's investment portfolio.

*Foreign Currency Risk*

The District's investment policy does not prohibit investments in foreign currency; however no such investments were held as of September 30, 2016 in the General Fund.

**Destin Fire Control District  
Notes to Financial Statements**

**NOTE 4 – CHANGES IN CAPITAL ASSETS**

The following is a summary of changes in the capital assets for the year ended September 30, 2016:

	September 30, 2015	Additions	Retirements and Transfers	September 30, 2016
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 278,555	\$ -	\$ -	\$ 278,555
Capital assets not being depreciated	278,555	-	-	278,555
<i>Capital assets being depreciated:</i>				
Buildings	1,328,209	-	-	1,328,209
Building Improvements	1,405,724	2,261	-	1,407,985
Equipment	1,529,086	193,047	(132,185)	1,589,948
Vehicles/Apparatus	2,357,052	504,910	(201,504)	2,660,458
Capital assets being depreciated	6,620,071	700,218	(333,689)	6,986,600
<i>Less accumulated depreciation:</i>				
Buildings and improvements	(1,100,461)	(91,617)	-	(1,192,078)
Equipment	(917,863)	(159,012)	103,465	(973,410)
Vehicles/Apparatus	(1,723,270)	(134,296)	201,504	(1,656,062)
Total accumulated depreciation	(3,741,594)	(384,925)	304,969	(3,821,550)
Capital assets being depreciated, net	2,878,477	315,293	(28,720)	3,165,050
<b>Governmental activities capital assets</b>	<b>\$3,157,032</b>	<b>\$ 315,293</b>	<b>\$ (28,720)</b>	<b>\$ 3,443,605</b>

The District recognized \$384,924 of depreciation expense for fiscal year ended September 30, 2016. Of that amount, \$354,078 was allocated to the public safety program and the remaining amount of \$30,846 was allocated to the beach safety program.

## Destin Fire Control District Notes to Financial Statements

### NOTE 5 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2016, was as follows:

	September 30, 2015	Additions	Reductions	September 30, 2016	Due Within One Year
Government-wide activities:					
Liability for compensated absences	\$ 262,668	\$ 28,066	\$ -	\$ 290,734	\$ 142,171
Liability for OPEB obligation	80,407	21,593	-	102,000	-
Net pension liability	9,331,980	965,755	-	10,297,735	-
<b>Total long-term liabilities</b>	<b>\$ 9,675,055</b>	<b>\$1,015,414</b>	<b>\$ -</b>	<b>\$ 10,690,469</b>	<b>\$ 142,171</b>

### NOTE 6 – RETIREMENT PLANS

#### *Defined Contribution Plan*

The District had three employees who were not covered under the District's defined benefit plan. Therefore, the District contributes 14.8% of the employees' annual salaries to individual retirement accounts. In addition, the District matches up to 5% of the employee's contribution. This plan is a 457 defined contribution plan. Total contributions by the District under this plan for the year ended September 30, 2016 were \$39,426.

Firefighter personnel may also elect to participate in the 457 defined contribution plan. The District does not match or contribute toward firefighter 457 accounts since these personnel automatically participate in a defined benefit plan.

#### *Defined Benefit Plan (Florida Statute Chapter 175 Firefighters' Pension Trust Fund)*

##### *Plan Description*

The District began participating in a Florida Statute Chapter 175 Firefighters Pension Trust Fund (Chapter 175 Plan for full-time state certified firefighters) in 1993. The Chapter 175 Plan is a single-employer defined benefit pension plan administered by Destin Fire Control District. It was established to provide retirement, disability, supplemental insurance, and death benefits for covered employees.



## Destin Fire Control District Notes to Financial Statements

### NOTE 6 – RETIREMENT PLANS (CONTINUED)

The Plan is administered by a Board of Trustees consisting of two District appointees, two members who are firefighters elected by the covered employees, and a fifth member elected by the other four and appointed by the District.

Florida Statute 175 establishes eligibility and vesting requirements and benefits provisions. Membership is compulsory for all full-time firefighters. Non-firefighter personnel of the District are excluded from this plan. The District does not issue stand-alone financial statements for this Plan.

Participants hired prior to October 1, 2012 are 100% vested after 7 years of credited service. For members hired after October 1, 2012, participants are 100% vested after 10 years of credited service. For members hired prior to October 1, 2012, members are eligible for normal retirement at the earlier of age 55 and 10 years of credited service, or 20 years of credited service regardless of age. For members hired on or after October 1, 2012, members are eligible for normal retirement at the earlier age of 55 and 10 years of credited service or age 52 and the completion of 25 years of credited service.

Early retirement may be taken after 10 years of credited service and attaining age 50; however, the accrued benefit will be actuarially reduced. Upon retirement for members hired prior to October 1, 2012, members are entitled to receive an amount approximately equal to 3.5% of average final compensation times credited service. Upon retirement for members hired on or subsequent to October 1, 2012, members are entitled to receive an amount approximately equal to 2.5% of average final compensation times credited service.

All retirees, excluding disability retirees and vested terminated persons who were hired prior to October 1, 2012 and who retire on or after October 1, 2002, will receive, beginning on the first October 1<sup>st</sup> following one full year of retirement and on each subsequent October 1<sup>st</sup>, a 2% per year cost-of-living adjustment. As of September 30, 2016, the Plan had a total of 45 members with 25 active members, 10 inactive plan members currently receiving benefits, and 10 inactive members entitled to, but not yet receiving benefits.

#### *Supplemental Insurance Benefit*

During the year ended September 30, 2016, the District paid supplemental insurance benefits to 7 retirees totaling \$20,172 from the Pension Fund.

#### *Deferred Retirement Option Program*

The Plan offers a deferred retirement option program (DROP) to any member satisfying the normal retirement requirements. Participation in DROP may not exceed 60 months. Upon entering DROP, a member may choose from the following two rate of return options: (a) the actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or (b) 6.5% per annum compounded monthly. Members may elect to change the rate of return option one time while participating in DROP. At September 30, 2016, the DROP balance is \$537,064.

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

*Basis of Accounting*

The accrual basis of accounting is used for the Pension Trust Fund. Contributions made by the District/State are recognized as revenue when due and the employer has made a formal commitment to provide the contributions. Contributions for the District's employees are recognized as revenue when due. Investment income is recognized as income when earned.

Plan liabilities for benefit and refunds are recognized when due and payable in accordance with the terms of the plan.

*Valuation of Investments*

The fair value of investments in bond and equity funds are based on quoted market prices. The District categorizes its Pension Fund fair value measurements utilizing the fair value hierarchy established by generally accepted accounting principles similar to General Fund investments. Investments in money market funds are reported at amortized cost. During the fiscal year ended September 30, 2016, all of the Chapter 175 Plan assets were held in various investments at Salem Trust Company and the American Core Realty Fund.

*Rate of Return*

For the year ended September 30, 2016 the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 10.74 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Funding Policy*

The plan members are required to contribute 6.8% of their annual covered salary to the Plan. The District is required to contribute at an actuarially determined rate of 68.7% of covered salary for the fiscal year ended September 30, 2016. This amount includes any State contributions. The actual contribution rate for the District and State equaled 68.7% of employees' salaries for the covered annual payroll. The required actuarial rate was determined from an actuarial report as of October 1, 2015, using the entry age normal actuarial cost method and level percentage of pay, closed amortization method.

*Annual Pension Cost*

The Retirement plan's annual pension cost excluding member contributions was \$1,090,290 as of October 1, 2015. Florida Statute Chapter 175 authorizes the State to charge a premium tax upon certain insurance companies who engage in the business of property insurance for the benefit of firefighters. The proceeds from this tax are used in partial support of the Chapter 175 Plan. For the year ended September 30, 2016, the District received \$268,847 from the State of Florida as proceeds from this tax.

## Destin Fire Control District Notes to Financial Statements

### NOTE 6 – RETIREMENT PLANS (CONTINUED)

This amount was used to help fund the \$1,343,482 reported as District contributions in the Statement of Revenues, Expenditures and Changes in Fund Balance. The District required contribution of \$1,090,290 was determined as part of the adjusted actuarial valuation as of October 1, 2015, using the entry age normal actuarial cost method. While contributions to the Plan are currently funded through these various sources, it is ultimately the responsibility of Destin Fire Control District to fund the Plan.

#### *Net Pension Liability of the Sponsor*

The components of the net pension liability of the sponsor on September 30, 2016 were as follows:

Total Pension Liability	\$ 25,939,514
Plan Fiduciary Net Position	<u>(15,641,779)</u>
Sponsor's Net Pension Liability	<u>\$ 10,297,735</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	60.30%

#### *Actuarial Assumptions*

For the year ended September 30, 2016, the actuarial assumptions used to determine the Annual Required Contribution included an 7.5% investment rate of return (net of investment related expenses) compounded annually and service based salary increases per year until the assumed retirement age. Projected salary increase includes inflation at 2.5% and post retirement cost of living adjustment (COLA) for service retirees is 2%.

RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an actuarial experience study dated August 28, 2015, for the period 2009-2014.

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. 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	50%	7.5%
International Equity	10%	8.5%
Broad Market Fixed Income	25%	2.5%
Global Fixed Income	5%	3.5%
Real Estate	10%	4.5%

**Destin Fire Control District  
Notes to Financial Statements**

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5 percent. 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 sponsor 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.

*Sensitivity of the Net Pension Liability  
to changes in the Discount Rate*

	<i>Net Pension Liability</i>
1% decrease of discount rate to 6.50%	\$13,847,413
Current discount rate of 7.50%	10,297,735
1% increase of discount rate to 8.50%	7,417,879

For the year ended September 30, 2016, the District recognized a pension expense net of State contributions of \$1,120,745. Additionally, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,054,505
Change of assumptions	1,097,960	-
Net difference between projected and actual earnings on pension plan investments	669,322	-
<b>Total</b>	<b>\$ 1,767,282</b>	<b>\$ 1,054,505</b>

The above amounts will be recognized in pension expense in future periods as follows:

Year ended September 30:	Amount
2017	\$ 59,893
2018	59,893
2019	664,809
2020	(71,818)
2021	-
Thereafter	-

## Destin Fire Control District Notes to Financial Statements

### NOTE 6 – RETIREMENT PLANS (CONTINUED)

#### *Investments*

The following table presents the the Plan's investments at September 30, 2016:

	Amortized Cost	Fair Value Measurements Using			Investment Totals	Percentage of Plan Net Assets
		Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3		
<i>Investments valued at Amortized Cost</i>						
Cash and cash equivalents	\$ 29,722	n/a	n/a	n/a	\$ 29,722	0%
Goldman Sachs Money Market Fund	178,316	n/a	n/a	n/a	178,316	1%
<i>Investments for which Fair Value was Determined</i>						
Mutual Funds - Fixed Income	-	\$ 4,766,147	\$ -	\$ -	4,766,147	30%
Mutual Funds - Equities	-	9,264,315	-	-	9,264,315	59%
American Core Realty Fund *	-	-	-	1,428,677	1,428,677	9%
	\$208,038	\$14,030,462	\$ -	\$ 1,428,677	\$ 15,667,177	100%

\* Investment measured daily using Net Asset Value (NAV)

The Plan limits the aggregate investment in corporate equities to 75% at fair value. In addition, the Plan limits equity positions in any single company to 5% of the Plan assets at fair market value. Foreign securities shall not exceed 25% of Plan assets at fair value.

At September 30, 2016, none of the investments listed above are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

**Credit Risk:** The District's Investment Policy for the Retirement Plan does not explicitly address credit risk (CR). The investment policy specifies the market sectors and the benchmark for each sector. The Plan's investment in the Goldman Sachs Money Market Fund was rated AAAM-G and has a weighted average maturity of 48 days. The fixed income mutual fund investments are not rated by S&P or Moody's for credit risk.

**Foreign Currency Risk:** The District's Investment Policy for the Retirement Plan does not explicitly address foreign currency risk. The investment policy specifies the market sectors and the benchmark for each sector.

**Interest Rate Risk:** The District's Investment Policy for the Retirement Plan does not explicitly address interest rate risk (IRR). The investment policy specifies the market sectors and the benchmark for each sector.

**Destin Fire Control District  
Notes to Financial Statements**

**NOTE 6 – RETIREMENT PLANS (CONTINUED)**

*Changes in Net Pension Liability*

<u>September 30,</u>	<u>2016</u>
Total Pension Liability	
Service Cost	\$ 412,422
Interest	1,854,384
Differences Between Expected and Actual Experience	(240,493)
Changes of Assumptions	1,634,737
Benefit Payments, Including Refunds of Employee Contributions	<u>(977,835)</u>
Net Change in Total Pension Liability	2,683,215
Total Pension Liability - Beginning	<u>23,256,299</u>
Total Pension Liability - Ending	25,939,514
Less: Plan Fiduciary Net Position	<u>(15,641,779)</u>
Net Pension Liability	<u>\$ 10,297,735</u>

The increase in pension liability due to changes in assumptions was primarily related to the reduction in estimated investment return from 8.0% to 7.5%.

**NOTE 7 – RISK MANAGEMENT**

The District is exposed to risk of loss for claims and judgments for unemployment compensation and employee medical insurance deduction. Descriptions of each program are as follows:

***Unemployment Compensation***

The District retains the entire risk for unemployment compensation claims. As of September 30, 2016, the amount committed in fund balance for unemployment was \$19,873. Because the amount of future loss cannot be estimated, no liability for these claims has been recognized in the financial statements.

***Other***

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 7 – RISK MANAGEMENT (Continued)**

***Health Reimbursement Arrangement***

The District has a Health Reimbursement Arrangement (HRA) that is funded solely through District contributions. The HRA allows eligible participants to be reimbursed tax free for qualified medical expenses up to a maximum dollar amount for a coverage period. 50% of the amounts remaining at the end of the calendar year are carried over to the next year. The employer is not permitted to refund any part of the balance to the employee, the account cannot be used for anything other than reimbursements for qualified medical expenses, and remaining amounts are not portable upon termination once the employee leaves the employer.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

***Accrued Leave***

The policy of the District and the Union (Destin Professional Fire Fighters Association, IAFF Local #3158) for vacation leave is as follows:

All Employees

1 - 4 years	6 hours bi-weekly
5 - 9 years	7 hours bi-weekly
10 - 14 years	9 hours bi-weekly
15 to retirement	10 hours bi-weekly

According to the Union contract, upon termination, employees will be paid for all unused vacation unless: the employee has less than six months service to the District; or the employee is discharged for cause, and therefore will not be paid for all unused vacation accrued. Employees may accumulate vacation leave up to 432 hours.

The policy of the District and the Union for sick leave is that all paid employees will accrue sick leave at a rate of six (6) hours bi-weekly. Upon termination, no sick leave will be compensated, unless the employee has an excess of 480 hours. There is no maximum number of sick leave hours to be accumulated; however, after 480 hours, an employee may exchange one sick leave hour to earn ½ hour of annual leave not to exceed 100 hours of sick leave per calendar year. Upon retirement, employees will be compensated sick leave on a graduated scale. For leave accumulated between 481-720 hours, 25% of the employee's regular pay rate will be paid. For leave accumulated between 721-1000 hours, 50% of the employee's regular pay rate will be paid. Employees will not be compensated for accrual of sick leave in excess of 1,000 hours. The total amount of the unpaid accrued leave at September 30, 2016, was \$290,734.

The policy of the Union for shift employees who work regularly scheduled hours on a holiday will be compensated at one and one-half (1 ½) times their normal hourly rate for each hour worked on the holiday.

## Destin Fire Control District Notes to Financial Statements

### NOTE 9 – CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPES

The following is a summary of the changes to Fund Balance for the year ending September 30, 2016:

	Balance at September 30, 2015	Transfers	Excess of Expenditures and Other Uses Over Revenues and Other Sources	Changes in Encumbrances and Prepays	Balance at September 30, 2016
Nonspendable					
Prepays	\$ 115,593	\$ -	\$ -	\$ (82,387)	\$ 33,206
Restricted					
Impact fees	841,982	-	106,994	-	948,976
Committed					
Committed for unemployment	19,873	-	-	-	19,873
Committed for compensated absences	50,000	-	-	-	50,000
Assigned					
Assigned for capital assets	2,452,596	(66,499)	-	481,094	2,867,191
Assigned for encumbrances	481,094	-	-	(481,094)	-
Unassigned	1,330,003	66,499	(138,128)	82,387	1,340,761
Totals	\$ 5,291,141	\$ -	\$ (31,134)	\$ -	\$ 5,260,007

### NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

#### *Plan Description*

The Postemployment Healthcare Benefits Plan (Plan) is a single employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District, and eligible dependents, may continue to participate in the District's health and hospitalization plan for medical, and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

The District does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The rates paid by the retirees eligible for Medicare are reduced by the Medicare premium. The Plan does not issue a stand-alone report, and it is not included in the report of a Public Employee Retirement System or another entity.



## Destin Fire Control District Notes to Financial Statements

### NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### *Funding Policy*

Contribution requirements of the District and plan members are established and may be amended through action from the District Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2015-2016 fiscal year, eight (8) retirees received postemployment health care benefits.

#### *Annual OPEB Cost and Net OPEB Obligation*

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the most recent two fiscal years are as follows:

Fiscal year Ending	Annual OPEB Cost	Estimated Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2016	\$ 74,982	\$ 53,389	71.20%	\$ 102,000
9/30/2015	75,597	56,161	74.29%	80,407
9/30/2014	73,856	67,249	91.05%	60,971

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with government accounting standards. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows 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:

<i>Year ended September 30,</i>	<b>2016</b>
Normal Cost (service cost for one year)	\$ 20,972
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	52,121
Interest on Normal Cost and Amortization	3,289
Annual Required Contribution (ARC)	76,382
Interest on Net OPEB Obligation	3,618
Adjustment to Annual Required Contribution	(5,018)
Annual OPEB Cost (Expense)	74,982
Estimated Net Contributions made	(53,389)
Increase (decrease) in Net OPEB Obligation	21,593
Net OPEB Obligation, beginning of year	80,407
Net OPEB Obligation, end of year	\$ 102,000

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Funded Status and Funding Progress***

As of October 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$798,219, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$798,219. The covered payroll (annual payroll of active participating employees) was \$2,082,560 from the 2013-2014 fiscal year, and the ratio of unfunded actuarial accrued liability to the covered payroll was 38.3%.

***Actuarial Method and Assumptions***

Actuarial valuations of an ongoing plan involve estimates of the value or reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of the Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's interim OPEB actuarial valuation as of October 1, 2015, used the Entry Age Normal actuarial method with amortization on a level percentage basis, to estimate the unfunded and funded actuarial liability as of September 30, 2016 and to estimate the District's 2015-2016 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5% discount rate. The actuarial assumptions include an annual healthcare cost trend rate of 7.5% for the 2014-2015 fiscal year, trending to a rate of 4.5% by 2020 fiscal year. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed amortization basis. The amortization period at September 30, 2016, is 30 years.

**NOTE 11 – LITIGATION**

In 2014, a former employee filed lawsuits against the District alleging wrongful termination. The Courts have granted the District's Motion for Summary Judgement; however the case remains pending before the United States Court of Appeals. The District will vigorously defend the lawsuit if taken further to court. Damages, if any beyond insurance coverage, cannot be estimated at this time.



**Required Supplementary Information  
(Other than MD&A)**

**Destin Fire Control District**  
**Budgetary Comparison Schedule – Governmental Fund**

Year ended September 30,

2016

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Ad valorem taxes collected, less fees	\$ 4,728,050	\$ 4,728,050	\$ 4,826,380	\$ 98,330
Beach safety program donations	650,055	650,055	662,304	12,249
Investment interest	8,000	8,000	38,884	30,884
Impact fees	50,000	50,000	137,253	87,253
Grants and donations	267,627	267,627	2	(267,625)
State pension fund contributions	345,000	345,000	268,847	(76,153)
Miscellaneous	86,300	86,300	102,452	16,152
Total revenues	6,135,032	6,135,032	6,036,122	(98,910)
<b>Expenditures</b>				
<b>Current</b>				
Public safety:				
Personnel services				
Salaries	2,284,574	2,213,813	2,132,470	81,343
Employees' retirement:				
457 Plan retirement fund	40,685	40,685	39,426	1,259
Section 175 retirement fund	1,215,062	1,215,062	1,305,282	(90,220)
Employee life and health insurance	660,802	660,802	553,284	107,518
Taxes - payroll	168,330	168,330	157,398	10,932
Workers compensation	85,898	85,898	74,478	11,420
Education	15,000	15,000	5,235	9,765
Miscellaneous	11,170	11,170	7,921	3,249
Operating services				
Accounting and legal	68,000	135,500	114,251	21,249
Advertising	3,500	4,500	3,492	1,008
Central dispatch	2,200	2,200	1,700	500
Dues and subscriptions	13,171	16,671	16,284	387
Equipment - noncapital	15,500	55,500	45,678	9,822
Fuel	22,000	17,250	15,245	2,005
Hazardous material program	7,000	7,000	7,107	(107)
Insurance	65,000	65,000	60,658	4,342
Miscellaneous	17,200	17,200	17,593	(393)
Property appraiser fees	80,419	80,419	68,823	11,596
Repairs and maintenance	123,182	123,182	82,642	40,540
Supplies				
Fire and paramedic	9,000	9,750	9,622	128
Office	10,000	10,000	7,227	2,773
Training	12,661	12,661	3,785	8,876
Uniforms	10,000	10,000	9,971	29
Utilities	49,200	49,200	44,529	4,671

**Destin Fire Control District**  
**Budgetary Comparison Schedule – Governmental Fund (Continued)**

Year ended September 30,

2016

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Beach safety:				
Personnel services				
Salaries	\$ 414,099	\$ 404,225	\$ 404,201	\$ 24
Section 175 retirement contribution	36,772	38,200	38,200	-
Taxes - payroll	31,678	31,201	29,080	2,121
Miscellaneous	18,031	19,603	18,584	1,019
Operating services				
Dues and subscriptions	6,200	13,450	13,265	185
Fuel	7,000	4,750	4,410	340
Insurance	37,789	37,260	36,097	1,163
Repairs and maintenance	22,000	12,000	11,224	776
Supplies	8,263	8,263	6,671	1,592
Utilities	1,800	800	609	191
Miscellaneous	19,183	19,813	20,597	(784)
<b>Total current expenditures</b>	<b>5,592,369</b>	<b>5,616,358</b>	<b>5,367,039</b>	<b>249,319</b>
<b>Capital Outlay</b>				
Vehicles and equipment - public safety	699,453	662,214	606,660	55,554
Vehicles and equipment - beach safety	76,989	90,239	91,296	(1,057)
Building	-	-	2,261	(2,261)
<b>Total capital outlay expenditures</b>	<b>776,442</b>	<b>752,453</b>	<b>700,217</b>	<b>52,236</b>
Excess (deficit) of revenues over expenditures	(233,779)	(233,779)	(31,134)	202,645
Fund balance, beginning of year	5,291,141	5,291,141	5,291,141	-
<b>Fund balance, end of year</b>	<b>\$ 5,057,362</b>	<b>\$ 5,057,362</b>	<b>\$ 5,260,007</b>	<b>\$ 202,645</b>

**Destin Fire Control District**  
**Schedule of Changes in Net Pension Liability and Related Ratios**

<i>September 30,</i>	2016	2015	2014	2013
<b>Total Pension Liability</b>				
Service Cost	\$ 412,422	\$ 540,120	\$ 702,391	\$ 650,362
Interest	1,854,384	1,893,391	1,756,834	1,616,439
Change in Excess State Money	-	-	-	-
Change in Funding Standard Account	-	-	-	-
Share Plan Allocation	-	-	-	-
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(240,493)	(1,748,273)	-	-
Changes of Assumptions	1,634,737	(256,184)	-	-
Contributions - Buy Back	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(977,835)	(600,036)	(579,955)	(547,818)
Net Change in Total Pension Liability	2,683,215	(170,982)	1,879,270	1,718,983
Total Pension Liability - Beginning	23,256,299	23,427,281	21,548,011	19,829,028
Total Pension Liability - Ending	<u>\$25,939,514</u>	<u>\$23,256,299</u>	<u>\$23,427,281</u>	<u>\$21,548,011</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 836,684	\$ 687,531	\$ 697,413	\$ 882,319
Contributions - State	293,567	371,910	326,318	342,803
Contributions - Employee	107,918	104,560	126,109	141,681
Contributions - Buy Back	-	-	-	-
Net Investment Income	1,482,436	(784,838)	1,510,241	1,092,797
Benefit Payments, Including Refunds of Employee Contributions	(977,835)	(600,036)	(579,955)	(547,818)
Administrative Expense	(25,310)	(32,924)	(14,883)	(18,656)
Other	-	-	-	-
Net Change in Plan Fiduciary Net Position	1,717,460	(253,797)	2,065,243	1,893,126
Plan Fiduciary Net Position - Beginning	13,924,319	14,178,116	12,112,873	10,219,747
Plan Fiduciary Net Position - Ending	<u>15,641,779</u>	<u>13,924,319</u>	<u>14,178,116</u>	<u>12,112,873</u>
Net Pension Liability - Ending	<u>\$10,297,735</u>	<u>\$ 9,331,980</u>	<u>\$ 9,249,165</u>	<u>\$ 9,435,138</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.30%	59.87%	60.52%	56.21%
Covered Employee Payroll	\$ 1,587,030	\$ 1,537,650	\$ 1,854,542	\$ 2,083,542
Net Pension Liability as a Percentage of Covered Employee Payroll	648.87%	606.90%	498.73%	452.84%

**Destin Fire Control District  
Schedule of Pension Contributions**

	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Actuarially Determined Contribution	\$ 1,090,290	\$ 1,059,441	\$ 1,023,707	\$ 1,225,122
Contributions in Relation to the				
Actuarially Determined Contributions	1,130,251	1,059,441	1,023,731	1,225,122
Contribution Deficiency (Excess)	\$ (39,961)	\$ -	\$ (24)	\$ -
Covered Employee Payroll	\$ 1,587,030	\$ 1,537,650	\$ 1,854,542	\$ 2,083,542
Contributions as a Percentage of				
Covered Employee Payroll	71.22%	68.90%	55.20%	58.80%

Notes to Schedule

Valuation Date: 10/01/2015

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

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method
Amortization Method:	Level percentage of pay, closed
Remaining Amortization Period:	25 Years (as of 10/01/2015)
Actuarial Asset 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 five-year period.
Inflation:	3.0% per year
Salary Increases:	See Table Below.
Payroll Increase:	None
Interest Rate:	7.5% per year compounded annually, net of investment related expenses.
Retirement Age:	Earlier of: 1) Age 55 and 10 years of Credited Service or 2) 20 Years of Credited Service regardless of age. 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.

## Destin Fire Control District Schedule of Pension Contributions

Termination Rates: See Table Below.

Disability Rates: See Table Below. It is assumed that 75% of disablements are service related.

Mortality: The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The rates utilized are those outlined in the July 1, 2015 FRS actuarial valuation report for special risk employees. See below:

Healthy Males: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Healthy Females: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

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

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

Other Information: Termination and Disability Rate Table.

Age	% Terminating during the year	% Becoming disabled during the year
20	6.0%	0.03%
30	5.0%	0.04%
40	2.6%	0.07%
50	0.8%	0.18%

Salary Increases:	<u>Credited Service</u>	<u>Salary Increase</u>
	0	10.0%
	1	9.0%
	2	8.0%
	3	7.5%
	4	7.0%
	5	6.5%
	6	6.0%
	7	5.5%
	8	5.0%
	9	4.5%
	10+	4.0%



**Destin Fire Control District  
Schedule of Pension Investment Returns**

<i>September 30,</i>	<i>2016</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Annual Money-Weighted Rate of Return				
Net of Investment Expense	10.74	-5.49%	12.26%	10.08%

**Destin Fire Control District**

**Schedule of Funding Progress for Other Postemployment Benefits (Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2015	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2014	\$ -	\$ 798,219	\$ 798,219	0.00%	\$ 2,082,560	38.33%
10/1/2013	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2012	-	905,849	905,849	0.00%	2,232,165	40.58%
10/1/2009	-	641,388	641,388	0.00%	2,437,443	26.31%



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**INDEPENDENT AUDITOR'S 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 Commissioners  
Destin Fire Control District  
Destin, Florida

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, each major fund, and the aggregate remaining fund information of Destin Fire Control District, ("the District") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 14, 2017.

**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) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

March 14, 2017

## MANAGEMENT LETTER

To the Board of Commissioners  
Destin Fire Control District  
Destin, Florida

### Report on the Financial Statements

We have audited the financial statements of the Destin Fire Control District (“District”) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 14, 2017.

### Auditor's 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 Florida Auditor General.

### Other Reports and Schedule

We have issued our Independent Auditor’s 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 Accountant’s Report(s) on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General Disclosures in this report, which is dated March 14, 2017, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual audit report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

## **Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the 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 financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

## **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

## **Other Matters**

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 have 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 Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
March 14, 2017



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## INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Supervisors  
Destin Fire Control District  
Destin, Florida

We have examined Destin Fire Control District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
March 14, 2017