**Financial Statements** 

September 30, 2015



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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, 2015, 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, 2015, 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.

#### **Change in Accounting Principle**

As discussed in Note 2 to the financial statements, in 2015 the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

#### **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 or provide any assurance.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2016, 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, LLC

Cau, Rigge & Ingram, L.L.C.

Miramar Beach, Florida July 27, 2016



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 \$628,658
- Net position increased by \$701,158
- Total revenues increased \$525,637 and total expenses decreased \$836,693. Revenues
  increased due to growth in the District tax base resulting in additional ad valorem taxes and
  impact fees. Expenses decreased as a result of management decreasing the work force
  which reduced pension, insurance, and wage costs.

#### **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 2014-2015 fiscal year, Beach Safety Patrol aided with 62,661 preventive acts, 348 boat and personal watercraft infractions, 65 major medical responses, 520 minor aid requests, 135 missing and lost persons, 285 assists, 406 marine stings, and 229 persons rescued.

During the 2014-2015 fiscal year, the Fire District responded to 2,907 alarms. These responses include 86 fires, 1,748 rescue and emergency medical calls, 68 hazardous conditions, 173 service calls, 827 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.

#### **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.

As of September 30,	2015 20		2014		Change
Assets					
Current and other assets	\$ 5,497,410	\$	4,645,143	\$	852,267
Capital assets	 3,157,032		3,380,641		(223,609)
Total assets	8,654,442		8,025,784		628,658
Deferred outflows of resources	1,048,720		-		1,048,720
Total assets and deferred					
outflows of resources	\$ 9,703,162	\$	8,025,784	\$	1,677,378
Liabilities					
Current liabilities	\$ 291,585	\$	303,408	\$	(11,823)
Other liabilities	 9,573,387		9,481,339		92,048
Total liabilities	9,864,972		9,784,747		80,225
Deferred inflows of resources	1,311,204		415,209		895,995
Net position					
Net investment in capital assets	3,157,032		3,380,641		(223,609)
Restricted - impact fees	841,982		545,337		296,645
Unrestricted	(5,472,028)		(6,100,150)		628,122
Total net position	(1,473,014)		(2,174,172)		701,158
Total liabilities, deferred inflows					
of resources, and net position	\$ 9,703,162	\$	8,025,784	\$	781,383

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

Total assets increased \$628,658 or 8% during the fiscal year ended September 30, 2015. Cash and investments increased \$728,561 due to a decrease in expenses as compared to prior year. Total liabilities increased \$80,225 or less than 1% over prior year as a result of increased amounts due to the net pension liability.

#### **CONDENSED STATEMENTS OF ACTIVITIES**

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

Year ended September 30,	2015	2014	Change
Program revenues:			
Public safety contributions	\$ 331,948	\$ 349,981	\$ (18,033)
Grants and contributions	35,565	1,000	34,565
Beach safety contributions	653,373	651,536	1,837
Charges for services	38,812	26,284	12,528
Total program revenues	1,059,698	1,028,801	30,897
General revenues:			
Ad Valorem taxes	4,551,031	4,351,363	199,668
Impact fees	369,516	65,212	304,304
Investment interest	3,881	4,968	(1,087)
Miscellaneous	-	3,138	(3,138)
Loss on disposal of fixed assets	(10,948)	(5,941)	(5,007)
Total general revenues	4,913,480	4,418,740	494,740
Total revenues	5,973,178	5,447,541	525,637
Program expenses:			
Public safety			
Personal services	3,849,048	4,707,704	(858,656)
Operating services	454,658	427,956	26,702
Depreciation	344,623	366,943	(22,320)
Total public safety expenses	4,648,329	5,502,603	(854,274)
Beach Safety			
Personal services	495,675	483,144	12,531
Operating services	93,157	98,199	(5,042)
Depreciation	34,859	24,767	10,092
Total beach safety expenses	623,691	606,110	17,581
Total expenses	5,272,020	6,108,713	(836,693)
Increase (decrease) in net position	701,158	(661,172)	1,362,330
Net position, beginning	(2,174,172)	8,151,374	(10,325,546)
Adjustment to net position - pensions		(9,664,374)	9,664,374
Net position, ending	\$ (1,473,014)	\$ (2,174,172)	\$ 701,158

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

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

Grants and contributions increased \$34,565 as compared to prior year primarily due to the addition of an EMS grant funds and donations in the current year. Ad valorem tax revenues increased \$199,668 or 5% from the previous year as a result of growth in the taxable base. Impact fees increased \$304,304 or 466% as compared to prior year also as a result of economic growth in the tax base and future projects. Public safety expenses decreased 16% or \$854,274 as compared to prior year as a result of management reducing the workforce which reduced pension payments, insurance costs, and wage costs.

Overall, net position increased \$701,158 for fiscal year 2015.

#### **GOVERNMENTAL FUND**

As of September 30, 2015, the District's governmental fund (as presented on pages 11 - 15) reported a fund balance of \$5,291,141 which is an increase of \$851,312 or 19% as compared to the prior year.

During fiscal year 2015, the District incurred \$155,957 in capital outlay expenditures which represents an increase of \$37,653 or 32% from prior year capital outlay expenditures of \$118,304.

#### **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 a favorable increase in revenues as compared to the budget in the amount of \$398,127. This increase occurred as a result of greater ad valorem taxes and impact fees collected than originally estimated.

The District experienced a favorable decrease as compared to final budget in capital outlay in the amount of \$3,355. For regular operating expenditures, the District experienced a favorable reduction in expenses of \$154,220 primarily as a result of reduced insurance, pension and wage costs.

Overall, the General Fund had a favorable increase as compared with the final budget in the amount of \$555,702.

#### **CAPITAL ASSETS**

At September 30, 2015, the District had \$3,157,032 invested in capital assets (net of depreciation). This amount represents a net decrease (including additions and deductions) of \$223,609 or 7% below the fiscal year 2014 total.

#### **CAPITAL ASSETS (CONTINUED)**

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

September 30,	2015	 2014	 Change
Land	\$ 278,555	\$ 278,555	\$ -
Buildings and improvements	2,733,933	2,730,499	3,434
Equipment	1,529,086	1,550,987	(21,901)
Vehicles/Apparatus	 2,357,052	 2,285,462	71,590
Total, prior to depreciation Accumulated depreciation	 6,898,626 (3,741,594)	6,845,503 (3,464,862)	53,123 (276,732)
Net capital assets	\$ 3,157,032	\$ 3,380,641	\$ (223,609)

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

#### **LONG-TERM LIABILITIES**

At September 30, 2015, the District has long-term liabilities which include compensated absences and an estimated liability for other postemployment benefits ("OPEB"). The District's long-term liabilities increased \$92,048 as compared to 2014.

September 30,	2015	2014	Change
Compensated absences, more than one year Other postemployment benefit liability Net pension liability	\$ 161,000 80,407 9,331,980	\$ 171,203 60,971 9,249,165	\$ (10,203) 19,436 82,815
Total long-term liabilities	\$9,573,387	\$9,481,339	\$ 92,048

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

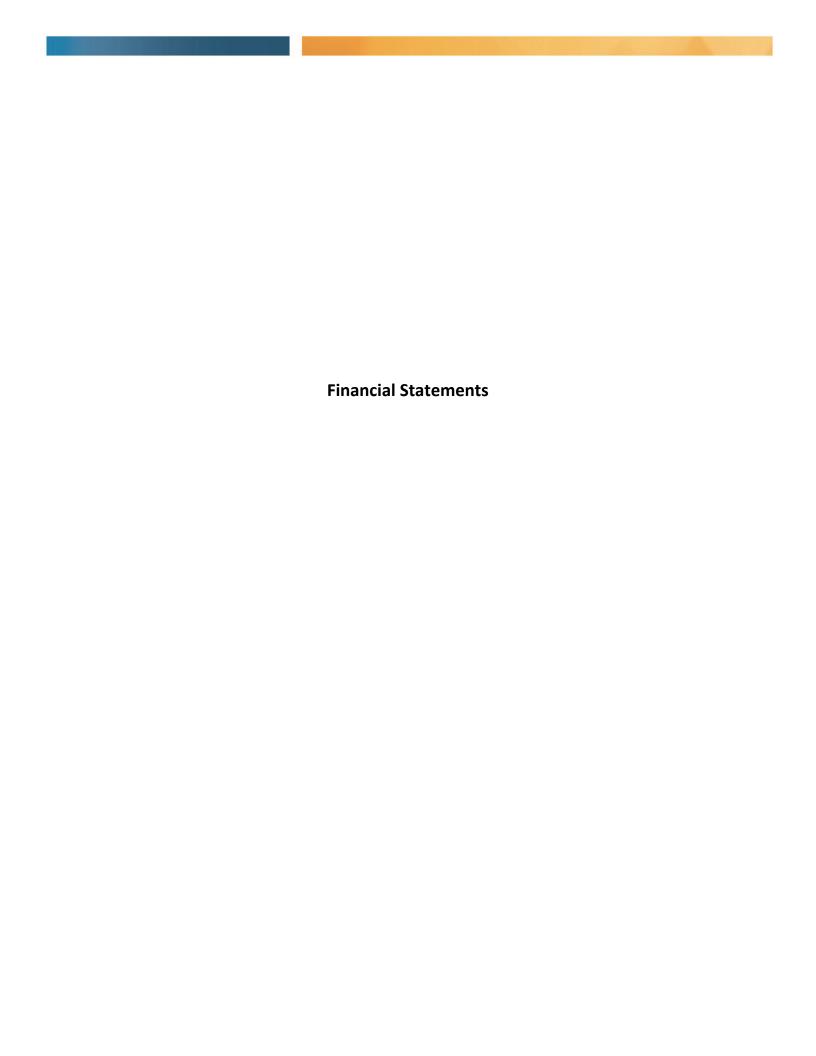
#### **FUTURE FINANCIAL FACTORS**

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 2016 have been established to provide for the operations of the District and necessary capital requirements. The millage rate for 2016 has been approved by the Board of Fire Commissioners at 1.00 which is the maximum rate allowable under the District charter.

#### **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



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

September 30,	2015	
	vernmental Activities	
Assets		
Cash and cash equivalents	\$ 5,157,832	
Due from other governments	55,617	
Accounts receivable	168,368	
Prepaid expenses	115,593	
Capital assets, net	3,157,032	
Total assets	8,654,442	
Deferred outflows of resources		
Pension	1,048,720	
Total deferred outflows of resources	1,048,720	
Liabilities		
Accounts payable	50,147	
Due to pension fund	55,617	
Accrued salaries and benefits payable	84,153	
Compensated absences - due within one year	101,668	
Compensated absences - due in more than one year	161,000	
OPEB liability	80,407	
Net pension liability	9,331,980	
Total liabilities	9,864,972	
Deferred inflows of resources		
Pension	1,311,204	
Total deferred inflows of resources	1,311,204	
Net position		
Invested in capital assets	3,157,032	
Restricted - impact fees	841,982	
Unrestricted	(5,472,028)	
Total net position	\$ (1,473,014)	

# **Destin Fire Control District Statement of Activities**

Year ended September 30,	2015
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		Program Revenues		Net (Expense) R Changes in Ne	
Function/Program	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental activities:					
Public safety	\$ (4,648,329)	\$ 38,812	\$ 331,948	\$ 35,565	\$ (4,242,004)
Beach safety	(623,691)	-	653,373	-	29,682
Total governmental activities	\$ (5,272,020)	\$ 38,812	\$ 985,321	\$ 35,565	(4,212,322)
	General revenu	ıes			
	Ad valorem ta	axes collected,	net of fees		4,551,031
	Impact fees				369,516
	Investment ir	nterest			3,881
	Gain (Loss) o	n sale of fixed a	issets		(10,948)
	Total general	revenues			4,913,480
	Change in n	et position			701,158
	Net position - b	peginning of the	e year, as restated		(2,174,172)
	Net position - 6	end of the year			\$ (1,473,014)

# Destin Fire Control District Balance Sheet – Governmental Fund

September 30,		2015
	Ge	eneral Fund
Assets		
Cash and cash equivalents	\$	5,157,832
Due from other governments		55,617
Accounts receivable		168,368
Prepaid expenditures		115,593
Total assets	\$	5,497,410
Liabilities and Fund Balances		
Accounts payable	\$	50,147
Due to pension fund	Y	55,617
Accrued salaries and benefits payable		84,153
Compensated absences payable		16,352
Total liabilities		206,269
Fund balances		
Nonspendable		115,593
Restricted		841,982
Committed		69,873
Assigned		2,933,690
Unassigned		1,330,003
Total fund balances		5,291,141
Total liabilities and fund balances	\$	5,497,410

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

September 30,	2015
Total fund balances, governmental funds	\$ 5,291,141
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	3,157,032
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  Deferred inflows of resources - pension	1,048,720 (1,311,204)
Long-term OPEB liabilities do not consume current resources and therefore are not reported in the governmental funds balance sheet.	(80,407)
Compensated absences do not consume current resources and therefore, are not reported in the governmental funds balance sheet.	(246,316)
Net pension liability does not consume current resources and therfore, is not reported in the governmental funds balance sheet.	(9,331,980)
Total net position - governmental activities	\$ (1,473,014)

# Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund (Continued)

Year ended September 30,	2015
	General Fund
Revenues	
Ad valorem taxes, net of discounts and tax collection fees	\$ 4,551,031
Investment interest	3,881
Grants and donations	11,323
Beach safety donations	653,373
State pension fund contributions	331,948
Impact fees	369,516
Miscellaneous	52,239
Total revenues	5,973,311
- P.	
Expenditures	
Current	
Public safety:	
Personal services: Salaries	2 111 705
	2,111,795
Employees' retirement: Section 175 retirement contribution	006 270
457 Plan retirement fund contribution	986,378
	37,342
Group employee life and health insurance	529,715
Taxes - payroll Workers componentian	158,945 86,430
Workers compensation Education	4,327
Miscellaneous	7,571
Operating services:	7,371
Accounting and legal	73,263
Advertising	2,354
Central dispatch	1,700
Dues and subscriptions	11,513
Equipment - noncapital	7,480
Fuel	17,832
Hazardous material program	6,945
Insurance	54,766
Miscellaneous	14,432
Property appraisal fees	78,281
Repairs and maintenance	112,525
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(continued)

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# Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund (Continued)

Year ended September 30.		

	General Fund
Operating services (continued):	
Fire and paramedic supplies	6,482
Station supplies	9,476
Training	3,846
Uniforms	8,484
Utilities	45,328
Beach safety:	,
Personal services:	
Salaries	412,057
Section 175 retirement contribution	33,102
Taxes - payroll	31,388
Insurance	19,128
Operating services:	
Dues and subscriptions	6,401
Fuel	5,634
Insurance	34,684
Miscellaneous	20,976
Repairs and maintenance	18,034
Supplies	6,033
Utilities	1,395
Capital Outlay	
Vehicles and equipment - public safety	83,228
Vehicles and equipment - beach safety	69,295
Building	3,434
Total expenditures	5,121,999
Excess (deficit) of revenues over expenditures	851,312
Fund balances, beginning of year	4,439,829
	A 5001111
Fund balances, end of year	\$ 5,291,141

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

Year ended September 30,	2015
Net change in fund balances - governmental fund	\$ 851,312
Capital outlay, reported as expenditures in the governmental fund, is shown as capital assets in Statement of Net Position.	155,957
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.	(379,482)
Current change in long-term OPEB obligation does not consume current resources and therefore is not reported in the governmental fund.	(19,436)
Donated assets reflect non cash activities and therefore are not reported in the governmental funds	24,242
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.	(13,427)
Deferred pension expenses are applicable to future periods and, therefore, are not reported in the funds.	69,910
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.	(10,948)
Current year change in compensated absence liability does not consume current resources so therefore it is not reflected in the governmental fund.	23,030
Change in net position of governmental activities	\$ 701,158

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

September 30,	2015
Assets	
Investments	\$ 13,896,606
Accrued interest income	23,843
Due from general fund	55,617
Total assets	13,976,066
Liabilities	
Accounts payable	21,517
Total liabilities	21,517
Total habilities	21,317
Net position	
Net position restricted for pensions	\$ 13,954,549

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

Year ended September 30,	2015
Additions	
Contributions - District/State	\$ 1,019,480
Contributions - plan members	104,560
Total contributions	1,124,040
large start and the same (I see)	
Investment Income (loss)	(400 =00)
Net appreciation (loss) in fair value of investments	(130,798)
Gain (loss) on sale of investments	(793,823)
Interest and dividends	 237,537
Total net investment income	(687,084)
Total additions	426.056
Total additions	 436,956
Deductions	
Administrative expense	121,328
Legal expense	7,205
Benefit payments	600,036
Fiduciary liability insurance	3,123
Total deductions	731,692
Change in net position	(294,736)
Net position restricted for pensions - beginning of the year	14,249,285
Net position restricted for pensions - end of the year	\$ 13,954,549

#### **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

<u>Government-wide Financial Statements</u> – 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.

#### 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:

<u>Invested in capital assets</u> – 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.

<u>Restricted</u> – 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.

<u>Unrestricted</u> – This component of net position consists of amounts that do not meet the definition of "restricted" or "invested in capital assets".

#### **Fund Financial Statements -**

<u>Governmental Funds</u> 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.

#### 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:

<u>General Fund</u> - 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:

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

<u>Restricted</u> 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.

<u>Committed</u> 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.

<u>Assigned</u> 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.

<u>Unassigned</u> 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.

#### 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, 2015, the District does not report any proprietary funds.

<u>Fiduciary Funds</u> 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.

<u>Pension Trust Fund</u> – 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 authorized investments include among others, direct obligations of the United States Treasury; the Local Government Surplus Funds Trust as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

Cash and cash equivalents at September 30, 2015 consisted of \$2,823,230 in checking accounts and \$2,334,602 in bank money market accounts totaling \$5,157,832.

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).

#### 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, 2015 was \$161,000 and the current portion of the compensated absence liability as reported in the Government-wide financial statements was \$101,668. When combined, the District has a total accrued compensated absence liability of \$262,668 as of September 30, 2015.

#### **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.

#### 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.

#### 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 Accounting Standard**

The District implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27. The objective of this Statement is to improve accounting and financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision- useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The District implemented this standard effective October 1, 2014 by reducing beginning Net Position by \$9,664,374.

#### **NOTE 3 – CHANGES IN CAPITAL ASSETS**

The following is a summary of changes in the capital assets for the year ended September 30, 2015:

	Sep	tember 30,	,	Re	etirements	Sej	otember 30,
		2014	Additions	an	d Transfers		2015
Governmental Activities:							
Capital assets not being depreciated:							
Land	\$	278,555	\$ -	\$	-	\$	278,555
Capital assets not being depreciated		278,555	-		-		278,555
Capital assets being depreciated:							
Buildings	1	L,324,775	-		-		1,324,775
Building Improvements	2	L,405,724	3,434		-		1,409,158
Equipment	1	L,550,987	103,420		(125,321)		1,529,086
Vehicles/Apparatus	2	2,285,462	73,345		(1,755)		2,357,052
Capital assets being depreciated	(	5,566,948	180,199		(127,076)		6,620,071
Less accumulated depreciation:							
Buildings and improvements	(2	L,009,148)	(91,313	)	-		(1,100,461)
Equipment		(851,586)	(167,272	)	100,995		(917,863)
Vehicles/Apparatus	(1	1,604,128)	(120,897	)	1,755		(1,723,270)
Total accumulated depreciation	(3	3,464,862)	(379,482	)	102,750		(3,741,594)
Capital assets being depreciated, net	3	3,102,086	(199,283	)	(24,326)		2,878,477
			_		_		
Governmental activities capital assets	\$ 3	3,380,641	\$(199,283	) \$	(24,326)	\$	3,157,032

The District recognized \$379,482 of depreciation expense for fiscal year ended September 30, 2015. Of that amount, \$344,623 was allocated to the public safety program and the remaining amount of \$34,859 was allocated to the beach safety program.

#### **NOTE 4 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Sep	otember 30, 2014	Α	dditions	Re	eductions	Se	eptember 30, 2015	_	ue Within One Year
Government-wide activities:										
Liability for compensated										
absences	\$	269,297	\$	-	\$	6,629	\$	262,668	\$	101,668
Liability for OPEB										
obligation		60,971		19,436		-		80,407		-
Net pension liability		9,249,165		82,815		-		9,331,980		-
Total long-term liabilities	\$	9,579,433	\$	102,251	\$	6,629	\$	9,675,055	\$	101,668

#### **NOTE 5 – RETIREMENT PLANS**

#### **Defined Contribution Plan**

The District had three employees who were not covered under the District's defined benefit plan (Florida Statute Chapter 175 Firefighter' Pension Trust). Therefore, the District contributes 14.8% of the employee's 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, 2015 were \$37,342.

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.

#### NOTE 5 – 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, 2015, 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, 2015, 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, 2015, the DROP balance is \$617,132.

#### NOTE 5 – 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

Investments are reported at fair value. The fair value of U.S. government obligations and investments in bond and equity funds is based on quoted market prices. Investments in certificates of deposit and money market funds are reported at cost which approximates fair market value. During the fiscal year ended September 30, 2015, all of the Chapter 175 Plan assets were in various investment accounts at Salem Trust Company.

#### Rate of Return

For the year ended September 30, 2015 the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was negative (5.49) 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 68.9% of covered salary for the fiscal year ended September 30, 2015. This amount includes any State contributions. The actual contribution rate for the District and State equaled 68.9% of employees' salaries for the covered annual payroll. The required actuarial rate was determined from an actuarial report as of October 1, 2014, 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 \$1,059,441 as of October 1, 2014. 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, 2015, the District received \$331,948 from the State of Florida as proceeds from this tax.

#### NOTE 5 – RETIREMENT PLANS (CONTINUED)

This amount was used to help fund the \$1,019,480 reported as District contributions in the Statement of Revenues, Expenditures and Changes in Fund Balance. The District required contribution of \$1,059,441 was determined as part of the adjusted actuarial valuation as of October 1, 2014, 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, 2015 were as follows:

Total Pension Liability	\$ 23,256,299
Plan Fiduciary Net Position	(13,924,319)
Sponsor's Net Pension Liability	\$ 9,331,980
Plan Fiduciary Net Position as a percentage of	
Total Pension Liability	59.87%

#### **Actuarial Assumptions**

For the year ended September 30, 2015, the actuarial assumptions used to determine the Annual Required Contribution included an 8% investment rate of return (net of investment related expenses) compounded annually and a 7.5% projected salary increase per year until the assumed retirement age. Projected salary increase includes inflation at 3.0% 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, 2014 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. 2015 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.5%
International Equity	8.5%
Core Fixed Income	2.5%

#### NOTE 5 – RETIREMENT PLANS (CONTINUED)

#### Discount Rate

The discount rate used to measure the total pension liability was 8.00 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	Net Pension Liability
1% decrease of discount rate to 7.00%	\$12,306,555
Current discount rate of 8.00%	9,331,980
1% increase of discount rate to 9.00%	6,883,272

#### Investments

The following table presents the fair value of the Plan's investments at September 30, 2015:

	Fair	Fair Value as a
	Value	% of Plan Net Assets
Investments for which Fair Value was		
Determined by Quoted Market Price:		
Cash	\$ -	0%
Certificates of Deposit	150,233	1%
US Government and Treasury Obligations	207,558	2%
Collateralized Mortgage Obligations	178,925	1%
Goldman Sachs Money Market Fund	716,643	5%
Corporate Bonds	3,003,206	22%
Municipal Bonds	300,480	2%
Equities	9,339,561	67%
Total	\$ 13,896,606	100%

The Plan limits the aggregate investment in corporate equities to 70% at fair market value. At September 30, 2015, this percentage was approximately 67% at fair market value which falls within the thresholds established by the Plan. In addition, the Plan limits equity positions in any single company to 5% of the Plan assets at fair market value.

#### NOTE 5 – RETIREMENT PLANS (CONTINUED)

At September 30, 2015, the plan's largest equity position in one company equaled approximately 3.1% of the Plan's total assets at fair market value. At September 30, 2015, 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. See below for a schedule of investments held by the District as of September 30, 2015 subject to 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. See below for a schedule of investments held by the District as of September 30, 2015 subject to interest rate risk.

#### **Bonds & Preferred Equities**

Maturity schedule (IRR)	Fair Value	Les	s than 1 year	1 - 5 years	6 -	10 years	10+ years
Certificates of Deposit	\$ 150,233	\$	150,233	\$ -	\$	-	\$ -
<b>Government Bonds</b>	207,558		-	207,558		-	-
Corporate Bonds	3,003,207		449,837	2,107,478		352,117	93,775
Municipal Bonds	300,480		-	99,435		201,045	-
Collateralized							
Mortgage Obligations	178,925		-	-		-	178,925
S & P Rating (CR)	Fair Value		AAA to A-	BBB+ to B-	CCC	C+ to CCC-	NR
S & P Rating (CR)  Certificates of Deposit	Fair Value \$ 150,233	\$	AAA to A-	BBB+ to B-	<u>ccc</u>	C+ to CCC-	NR \$150,233
			AAA to A- - 1,607,559			C+ to CCC- - -	
Certificates of Deposit	\$ 150,233		-	\$ -		C+ to CCC- - - -	
Certificates of Deposit Corporate Bonds	\$ 150,233 3,003,207		- 1,607,559	\$ -		- - - - -	
Certificates of Deposit Corporate Bonds Government Bonds	\$ 150,233 3,003,207 207,558		- 1,607,559 207,558	\$ -		C+ to CCC- - - - -	

The other significant plan asset at September 30, 2015 was a money market fund investment which was with Goldman Sachs Financial Square Treasury Obligation Fund. This money market fund was rated AAAm/Aaa and has a weighted average maturity of 50 days.

#### **NOTE 6 – 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, 2015, 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.

#### **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 7 – 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	7 hours bi-weekly
5 - 9 years	8 hours bi-weekly
10 - 14 years	10 hours bi-weekly
15 to retirement	11 hours bi-weekly

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

#### NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2015, was \$262,668.

The policy of the Union for holiday pay is that all 24 hour shift employees shall receive ten (10) hours straight pay for the eleven (11) recognized holidays whether or not they are scheduled to work.

#### NOTE 8 – CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPES

The following is a summary of the changes to Fund Balance for the year ending September 30, 2015:

Evenes of

					Fv	penditures and				
		Balance at otember 30, 2014	Tr	ansfers	O <sup>1</sup>	ther Uses Over Revenues and Other Sources	End	Changes in cumbrances nd Prepaids		Balance at ptember 30, 2015
Nonspendable										
Prepaids	\$	29,453	\$	-	\$	-	\$	86,140	\$	115,593
Restricted										
Impact fees		545,337		-		296,645		-		841,982
Committed										
Committed for unemployment Committed for compensated		22,138		-		(2,265)		-		19,873
absences		50,000		-		-		-		50,000
Assigned										
Assigned for capital assets		2,665,309	:	258,183		-		(470,896)		2,452,596
Assigned for encumbrances		-		-		-		481,094		481,094
Unassigned		1,127,592	(2	258,183)		556,932		(96,338)		1,330,003
	_		_		_	054.040	_		_	
Totals	\$	4,439,829	\$	-	\$	851,312	\$	-	\$	5,291,141

### Destin Fire Control District Notes to Financial Statements

#### **NOTE 9 - 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.

#### **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 2014-2015 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:

		Percentage of						
			Estimated	Annual				
Fiscal year	Annual		Amount	<b>OPEB Cost</b>		Net OPEB		
<b>Ending</b>	<b>OPEB Cost</b>	Contributed		Contributed	Obligation			
9/30/2015	\$ 75,597	\$	56,161	74.29%	\$	80,407		
9/30/2014	73,856		67,249	91.05%		60,971		
9/30/2013	74,997		63,756	85.01%		54,364		

## Destin Fire Control District Notes to Financial Statements

#### NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### Annual OPEB Cost and Net OPEB Obligation (Continued)

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:

Year ended September 30,	2015
Normal Cost (service cost for one year) Amortization of Unfunded Actuarial Accrued Liability (UAAL) Interest on Normal Cost and Amortization	\$ 22,397 50,919 3,299
Annual Required Contribution (ARC)	76,615
Interest on Net OPEB Obligation Adjustment to Annual Required Contribution	2,744 (3,762)
Annual OPEB Cost (Expense) Estiamted Net Contributions made	75,597 (56,161)
Increase (decrease) in Net OPEB Obligation Net OPEB Obligation, beginning of year	19,436 60,971
Net OPEB Obligation, end of year	\$ 80,407

#### **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.

## Destin Fire Control District Notes to Financial Statements

#### NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### Annual OPEB Cost and Net OPEB Obligation (Continued)

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 OPEB actuarial valuation as of October 1, 2014, 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, 2015 and to estimate the District's 2014-2015 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, 2015, is 30 years.

#### **NOTE 10 – ENCUMBRANCE AND SUBSEQUENT EVENT**

In September 2015, the District ordered and encumbered for a new fire truck totaling \$470,896. The District paid for the fire truck in full in October 2015. The truck was subsequently delivered to the District in March 2016.

#### **NOTE 11 – LITIGATION**

In 2014, two former employees filed lawsuits against the District alleging wrongful termination. The Courts have granted the District's Motion for Summary Judgement; however both cases remain pending before the United States Court of Appeals. The District will vigorously defend the lawsuits 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 (Continued)

Year ended September 30,	2015							
				Variance				
		ed Amounts		Favorable				
	Original	Final	Actual	(Unfavorable)				
Revenues								
Ad valorem taxes collected, less fees	\$ 4,440,212	\$ 4,440,212	\$ 4,551,031	\$ 110,819				
Beach safety program donations	699,972	699,972	653,373	(46,599)				
Investment interest	4,000	4,000	3,881	(119)				
Impact fees	50,000	50,000	369,516	319,516				
Grants and donations	-	-	11,323	11,323				
State pension fund contributions	345,000	345,000	331,948	(13,052)				
Miscellaneous	36,000	36,000	52,239	16,239				
Total revenues	5,575,184	5,575,184	5,973,311	398,127				
Expenditures								
Current								
Public safety:								
Personal services								
Salaries	2,180,189	2,138,189	2,111,795	26,394				
Employees' retirement:	, ,		, ,	,				
457 Plan retirement fund	38,462	38,462	37,342	1,120				
Section 175 retirement fund	969,561	1,004,561	986,378	18,183				
Employee life and health insurance	572,353	567,353	529,715	37,638				
Taxes - payroll	162,478	160,478	158,945	1,533				
Workers compensation	77,800	87,800	86,430	1,370				
Education	15,000	7,000	4,327	2,673				
Miscellaneous	10,540	10,540	7,571	2,969				
Operating services	·			·				
Accounting and legal	60,500	76,500	73,263	3,237				
Advertising	3,500	3,500	2,354	1,146				
Central dispatch	2,200	2,200	1,700	500				
Dues and subscriptions	9,000	12,000	11,513	487				
Equipment - noncapital	15,500	15,500	7,480	8,020				
Fuel	32,000	22,000	17,832	4,168				
Hazardous material program	7,250	7,250	6,945	305				
Insurance	56,000	56,000	54,766	1,234				
Miscellaneous	14,356	14,756	14,432	324				
Property appraiser fees	81,000	81,000	78,281	2,719				
Repairs and maintenance	116,750	121,250	112,525	8,725				
Supplies	- <b>,</b>	,	,	-, -				
Fire and paramedic	12,500	12,500	6,482	6,018				
Office	8,500	10,000	9,476	524				
Training	5,000	5,000	3,846	1,154				
Uniforms	10,000	10,000	8,484	1,516				
Utilities	44,082	47,582	45,328	2,254				

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

Year ended September 30,	2015									
							\	/ariance		
	Budgeted Amounts							Favorable		
		Original		Final		Actual	(Un	favorable)		
Beach safety:										
Personal services										
Salaries	\$	444,774	\$	421,774	\$	412,057	\$	9,717		
Section 175 retirement contribution		64,139		47,139		33,102		14,037		
Taxes - payroll		34,148		34,148		31,388		2,760		
Miscellaneous		5,000		5,000		19,128		(14,128)		
Operating services										
Dues and subscriptions		6,300		6,500		6,401		99		
Fuel		9,000		7,000		5,634		1,366		
Insurance		36,050		36,050		34,684		1,366		
Repairs and maintenance		25,000		20,000		18,034		1,966		
Supplies		4,000		7,000		6,033		967		
Utilities		1,500		1,500		1,395		105		
Miscellaneous		22,330		22,730		20,976		1,754		
Total current expenditures		5,156,762		5,120,262		4,966,042		154,220		
Capital Outlay										
Vehicles and equipment - public safety		62,500		85,500		83,228		2,272		
Vehicles and equipment - beach safety		60,312		70,312		69,295		1,017		
Building		-		3,500		3,434		66		
Total capital outlay expenditures		122,812		159,312		155,957		3,355		
Excess (deficit) of revenues over		205 515		205 212		054 045				
expenditures		295,610		295,610		851,312		555,702		
Fund balance, beginning of year		4,439,829		4,439,829		4,439,829		-		
Fund balances, end of year	\$	4,735,439	\$	4,735,439	\$	5,291,141	\$	555,702		

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

September 30,		2015		2014	2013
Total Pension Liability					
Service Cost	\$	540,120	\$	702,391	\$ 650,362
Interest	•	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		(1,748,273)		-	-
Changes of Assumptions		(256,184)		-	-
Contributions - Buy Back		-		-	-
Benefit Payments, Including Refunds of					
Employee Contributions		(600,036)		(579,955)	(547,818)
Net Change in Total Pension Liability		(170,982)		1,879,270	1,718,983
Total Pension Liability - Beginning		23,427,281		21,548,011	19,829,028
Total Pension Liability - Ending	\$	23,256,299	\$	23,427,281	\$ 21,548,011
Plan Fiduciary Net Position					
Contributions - Employer	\$	687,531	\$	697,413	\$ 882,319
Contributions - State		371,910		326,318	342,803
Contributions - Employee		104,560		126,109	141,681
Contributions - Buy Back		-		-	-
Net Investment Income		(784,838)		1,510,241	1,092,797
Benefit Payments, Including Refunds of					
Employee Contributions		(600,036)		(579,955)	(547,818)
Administrative Expense		(32,924)		(14,883)	(18,656)
Other		-		-	
Net Change in Plan Fiduciary Net Position		(253,797)		2,065,243	1,893,126
Plan Fiduciary Net Position - Beginning		14,178,116		12,112,873	10,219,747
Plan Fiduciary Net Position - Ending		13,924,319		14,178,116	12,112,873
Net Pension Liability - Ending	\$	9,331,980	\$	9,249,165	\$ 9,435,138
Dian Fiduciany Not Desition as a Devectors					
Plan Fiduciary Net Position as a Percentage		EO 070/		60 539/	EC 210/
of the Total Pension Liability		59.87%		60.52%	56.21%
Covered Employee Payroll	\$	1,537,650	\$	1,854,542	\$ 2,083,542
Net Pension Liability as a Percentage of					
Covered Employee Payroll		606.90%		498.73%	452.84%

## Destin Fire Control District Schedule of Pension Contributions

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

#### Notes to Schedule

Valuation Date: 10/01/2014

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 10/01/2014)

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: 7.5% per year until the assumed retirement age Payroll Increase: 1.6% per year (5.0% per year for 10/1/2013)

Interest Rate: 8.0% per year compounded annually, net of investment related

expenses.

Retirement Age: Earlier of: I) 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: 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).

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%

# Destin Fire Control District Schedule of Pension Investment Returns

September 30,	2015	2014	2013
Annual Money-Weighted Rate of Return			
Net of Investment Expense	-5.49%	12.26%	10.08%

# Destin Fire Control District Schedule of Funding Progress for Other Postemployment Benefits (Unaudited)

Actuarial Valuation Date	Va	uarial alue Assets	Actuarial Accrued Liability (AAL) - Entry Age		Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2014	\$	-	\$	798,219	\$ 798,219	0.00%	\$ 2,082,560	38.33%
10/1/2012 10/1/2009		-		905,849 641,388	905,849 641,388	0.00% 0.00%	2,232,165 2,437,443	40.58% 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 27, 2016.

#### **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, LLC

Can, Rigge & Ingram, L.L.C.

Miramar Beach, Florida July 27, 2016



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#### 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, 2015, and have issued our report thereon dated July 27, 2016.

#### **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 July 27, 2016, 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, LLC

Can, Rigge & Ingram, L.L.C.

Miramar Beach, Florida July 27, 2016



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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, 2015. 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, 2015.

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, LLC

Caux Rigge & Ingram, L.L.C.

Miramar Beach, Florida July 27, 2016