

**SOUTH WALTON COUNTY MOSQUITO
CONTROL DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2014

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
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SEPTEMBER 30, 2014**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
South Walton County Mosquito Control District

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 South Walton County Mosquito Control District as of and for the year ended September 30, 2014, 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.

Auditors' Responsibility

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

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 opinion.

Opinion

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 South Walton County Mosquito Control District, as of September 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund and Special Revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 and the Schedule of Funding Progress on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 26, 2014 on our consideration of the South Walton County Mosquito Control District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Walton County Mosquito Control District's internal control over financial reporting and compliance.

Warren Averett, LLC

Destin, Florida
December 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the South Walton County Mosquito Control District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2014.

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

FINANCIAL HIGHLIGHTS

The following are financial highlights for fiscal year 2014:

- The assets of the District exceeded its liabilities by \$1,170,459 (net position), and represents an increase of \$59,270 (or 5.3%) from the prior year. Of this amount, \$620,995 represents investments in capital assets (e.g., land, building, furniture and equipment), \$9,034 is restricted by the Florida Department of Agriculture and Consumer Services for arthropod control, and \$540,428 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District reported total revenues for the fiscal year of \$1,483,382 and total expenses of \$1,424,112, resulting in a change in net position of \$59,270.
- Current year revenues (2014) in comparison with the prior year (2013), increased by \$419,152 or approximately 39%, primarily the result of an increase in ad valorem tax revenues and proceeds from insurance claims.
- Current year expenses (2014) in comparison with the prior year (2013), increased by \$85,066 or approximately 6%, mostly attributable to increases in repair and maintenance due to the flood damage to the office building which took place in April 2014.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis intends to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the District.

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

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

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with statutory requirements. Currently, the District has only one category of funds, governmental funds.

FUNDS

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Such information may be useful in evaluating a government's near-term financial requirements. The basic governmental fund financial statements are found on pages 10 and 12 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two governmental funds, consisting of the General fund (Local fund) and the Special Revenue fund (State fund). The District adopts an annual appropriated budget for both funds. A budgetary comparison statement is provided for each to demonstrate compliance with these budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 649,179	\$ 470,157
Inventory	50,427	33,161
Due from other governments	8,030	4,498
Restricted cash	9,034	6,470
Capital assets, net	<u>620,995</u>	<u>693,686</u>
TOTAL ASSETS	<u>1,337,665</u>	<u>1,207,972</u>
LIABILITIES		
Accounts payable	56,774	-
Non-current liabilities, due in more than one year		
Compensated absences	32,334	37,761
Other postemployment benefits	<u>78,100</u>	<u>59,024</u>
TOTAL LIABILITIES	<u>167,208</u>	<u>96,785</u>
NET POSITION		
Net investment in capital assets	620,995	693,686
Restricted for arthropod control	9,034	6,470
Unrestricted	<u>540,428</u>	<u>411,031</u>
TOTAL NET POSITION	<u>1,170,457</u>	<u>1,111,187</u>
REVENUES		
General revenues	1,468,870	1,054,980
Program revenues	<u>14,512</u>	<u>9,250</u>
TOTAL REVENUES	<u>1,483,382</u>	<u>1,064,230</u>
EXPENSES		
Human services	<u>1,424,112</u>	<u>1,339,046</u>
CHANGE IN NET POSITION	59,270	(274,816)
NET POSITION AT BEGINNING OF YEAR	<u>1,111,187</u>	<u>1,386,003</u>
NET POSITION AT END OF YEAR	<u>\$ 1,170,457</u>	<u>\$ 1,111,187</u>

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

The General fund is affected each year by carry-over funds that are not exactly known when the original budget is approved by our Board of Commissioners and the Florida Department of Agriculture and Consumer Services (FDACS). When the exact amount becomes known (at the conclusion of the fiscal year), budget amendments are required to reflect the actual carry-over amounts. For the fiscal year ending September 30, 2014, the Local Fund carry-over from fiscal year 2013 was increased by \$91,332, as per budget amendment 2, and was applied to the following budget line items: repairs and maintenance, miscellaneous supplies, and contingencies. The State Fund carry-over from fiscal year 2013 was increased by \$3,456 applied to other charges and chemicals. Overall, our final budgeted expenditures, including budget amendments, were \$94,788 more than what was originally budgeted and approved by our Board and FDACS.

Seven expenditure line items within our budget had significant variations between the final budgeted amounts and the actual amounts expended during fiscal year 2014. These budget line items were: personal services; personal service benefits; operating expenses; repairs and maintenance services; gas, oil and lubricants; chemicals, solvents, and additives; and contingencies. Six of which were under expended (favorable), and one was over expended (unfavorable). None of the variations discussed here are expected to have a significant effect on the future service to our District or adversely affect our budget or operational capability.

Capital outlay for equipment in fiscal 2014 consisted of a metal shed, an air conditioner, a television for the boardroom, and miscellaneous electronics.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 16 of this report are the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, revenues exceeded budgetary estimates. The most notable increase occurred in insurance proceeds as a result of a flood in April 2014.

ECONOMIC FACTORS AND FUTURE FINANCIAL BUDGETS AND RATES

The State of Florida, by constitution, does not have a state individual income tax and therefore, the state operates primarily using sales, gasoline, and corporate income taxes. Local governments such as the District primarily rely upon property taxes and a limited array of permitted other sources for their governmental activities. There are a limited number of state shared revenues and recurring and non-recurring grants from both the federal and state governments, which provide funding for specific programs, projects, or activities.

The primary source of revenue for the District is property tax (ad valorem). The State's improving economic conditions are expected to result in an upward reassessment of property values within the District in the near future. As a result, with a slight upward trend in new development, ad valorem tax revenues are anticipated to increase again in fiscal year 2015. The assessed millage rate was 0.1379 for fiscal year 2014. Anticipating an increase in expenditures in fiscal year 2015, the District elected to increase its millage rate to 0.1690 for fiscal year 2015. The District also budgeted a Local Funds deficiency from 2014 of \$156,698.

All capital assets of the District are paid for and we do not foresee, nor have we foreseen, any long-term debt activity. The 2015 budget has a reserve for future capital outlay in the amount of \$179,501, with anticipated capital outlay of \$62,750 in 2015.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of South Walton County Mosquito Control District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director, Post Office Box 1130, Santa Rosa Beach, Florida 32459. The District's website address is www.swcmcd.org. Inquiries may also be sent via email to the Director at director@swcmcd.org.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

ASSETS	
Cash and cash equivalents	\$ 649,179
Inventory	50,427
Due from other governments	8,030
Restricted cash	9,034
Capital assets	
Non-depreciable	500
Depreciable, net	620,495
	<u>620,495</u>
TOTAL ASSETS	<u><u>\$ 1,337,665</u></u>
LIABILITIES	
Accounts payable	\$ 56,774
Non-current liabilities, due in more than one year	
Compensated absences	32,334
Other postemployment benefits	78,100
	<u>110,434</u>
TOTAL LIABILITIES	<u>167,208</u>
NET POSITION	
Net investment in capital assets	620,995
Restricted for arthropod control	9,034
Unrestricted	540,428
	<u>1,170,457</u>
TOTAL NET POSITION	<u><u>\$ 1,170,457</u></u>

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
				Governmental Activities	
Government activities					
Human services	\$ 1,424,112	\$ -	\$ 14,512	\$ -	\$ (1,409,600)
Total government activities	<u>\$ 1,424,112</u>	<u>\$ -</u>	<u>\$ 14,512</u>	<u>\$ -</u>	<u>\$ (1,409,600)</u>
 General revenues:					
Ad valorem taxes					\$ 1,330,884
Insurance proceeds					130,700
Interest					871
Miscellaneous					<u>6,415</u>
Total general revenues					<u>1,468,870</u>
 CHANGE IN NET POSITION					59,270
 NET POSITION AT BEGINNING OF YEAR					<u>1,111,187</u>
 NET POSITION AT END OF YEAR					<u>\$ 1,170,457</u>

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 649,179	\$ -	\$ 649,179
Inventory	50,427	-	50,427
Due from other governments	8,030	-	8,030
Restricted cash	-	9,034	9,034
TOTAL ASSETS	<u>\$ 707,636</u>	<u>\$ 9,034</u>	<u>\$ 716,670</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 56,774	\$ -	\$ 56,774
Fund balance			
Nonspendable for inventory	50,427	-	50,427
Restricted for arthropod control	-	9,034	9,034
Assigned for reserves	432,299	-	432,299
Unassigned	168,136	-	168,136
Total fund balance	<u>650,862</u>	<u>9,034</u>	<u>659,896</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 707,636</u>	<u>\$ 9,034</u>	<u>\$ 716,670</u>

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Fund balance - total governmental funds (page 10) \$ 659,896

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental non-depreciable assets	500	
Governmental depreciable assets	1,453,436	
Less accumulated depreciation	<u>(832,941)</u>	
		620,995

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

Other postemployment benefits	(78,100)	
Compensated absences	<u>(32,334)</u>	
		<u>(110,434)</u>

Net position of governmental activities (page 8) \$ 1,170,457

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 1,330,884	\$ -	\$ 1,330,884
Intergovernmental	-	14,512	14,512
Interest	866	5	871
Insurance proceeds	130,700	-	130,700
Miscellaneous	3,317	3,098	6,415
Total revenues	<u>1,465,767</u>	<u>17,615</u>	<u>1,483,382</u>
EXPENDITURES			
Human services			
Personal services	619,297	-	619,297
Personal services benefits	298,039	-	298,039
Operating expenses	53,178	-	53,178
Travel and per diem	5,346	-	5,346
Communication services	8,705	-	8,705
Freight services	2,185	-	2,185
Utility services	9,246	-	9,246
Rentals and leases	2,496	-	2,496
Insurance	33,825	-	33,825
Repair and maintenance services	102,513	-	102,513
Printing	120	-	120
Promotional activities	2,715	-	2,715
Other current charges and obligations	1,747	-	1,747
Office supplies	3,390	-	3,390
Operating supplies	36,070	-	36,070
Books, publications, subscriptions, and memberships	2,381	-	2,381
Training	5,788	-	5,788
Gasoline, oil, and lubricants	27,607	-	27,607
Chemicals, solvents, and additives	98,593	15,051	113,644
Capital outlay	9,480	-	9,480
Total expenditures	<u>1,322,721</u>	<u>15,051</u>	<u>1,337,772</u>
EXCESS REVENUES OVER EXPENDITURES	143,046	2,564	145,610
FUND BALANCE AT BEGINNING OF YEAR	<u>507,816</u>	<u>6,470</u>	<u>514,286</u>
FUND BALANCE AT END OF YEAR	<u>\$ 650,862</u>	<u>\$ 9,034</u>	<u>\$ 659,896</u>

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Excess of revenues over expenditures - total governmental funds (page 12)	\$ 145,610
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Amounts reported for governmental activities in the statement of activities are different because:

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

Expenditures for capital assets	9,480	
Less current year depreciation - general government	(80,721)	
Less loss on disposal of assets	(1,450)	
		(72,691)

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

Other postemployment benefits	(19,076)	
Compensated absences	5,427	
		(13,649)

Change in net position of governmental activities (page 9)	\$ 59,270
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See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Ad valorem taxes	\$ 1,321,868	\$ 1,321,868	\$ 1,330,884	\$ 9,016
Interest	-	-	866	866
Insurance proceeds	-	-	130,700	130,700
Miscellaneous	-	-	3,317	3,317
Total revenues	<u>1,321,868</u>	<u>1,321,868</u>	<u>1,465,767</u>	<u>143,899</u>
Expenditures				
Human services				
Personal services	656,776	660,676	619,297	41,379
Personal services benefits	312,383	312,883	298,039	14,844
Operating expenses	76,700	76,700	53,178	23,522
Travel and per diem	7,000	7,000	5,346	1,654
Communication services	7,800	8,800	8,705	95
Freight services	2,400	2,400	2,185	215
Utility services	9,575	9,575	9,246	329
Rentals and leases	4,250	4,250	2,496	1,754
Insurance	35,000	35,000	33,825	1,175
Repair and maintenance services	35,150	60,150	102,513	(42,363)
Printing	300	300	120	180
Promotional activities	4,000	4,000	2,715	1,285
Other current charges and obligations	2,365	2,365	1,747	618
Office supplies	3,000	3,500	3,390	110
Operating supplies	18,000	32,192	36,070	(3,878)
Books, publications, subscriptions, and memberships	3,140	3,140	2,381	759
Training	9,000	9,000	5,788	3,212
Gasoline, oil, and lubricants	46,835	46,835	27,607	19,228
Chemicals, solvents, and additives	128,419	129,419	98,593	30,826
Capital outlay	5,000	9,500	9,480	20
Contingency	58,000	98,740	-	98,740
Total expenditures	<u>1,425,093</u>	<u>1,516,425</u>	<u>1,322,721</u>	<u>193,704</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(103,225)	(194,557)	143,046	337,603
FUND BALANCE AT BEGINNING OF YEAR	<u>103,225</u>	<u>194,557</u>	<u>507,816</u>	<u>313,259</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,862</u>	<u>\$ 650,862</u>

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ 14,728	\$ 14,728	\$ 14,512	\$ (216)
Interest	-	-	5	5
Miscellaneous	-	-	3,098	3,098
Total revenues	<u>14,728</u>	<u>14,728</u>	<u>17,615</u>	<u>2,887</u>
Expenditures				
Human services				
Chemicals, solvents, and additives	<u>17,741</u>	<u>21,198</u>	<u>15,051</u>	<u>6,147</u>
Total expenditures	<u>17,741</u>	<u>21,198</u>	<u>15,051</u>	<u>6,147</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,013)</u>	<u>(6,470)</u>	<u>2,564</u>	<u>9,034</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>3,013</u>	<u>6,470</u>	<u>6,470</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,034</u></u>	<u><u>\$ 9,034</u></u>

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT

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

The financial statements of the District have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Section 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The District's purpose is to control disease-bearing arthropods and nuisance insects to improve the quality of life in South Walton County in Northwest Florida.

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

The Reporting Entity

The District is governed by a three (3) member commission, each elected at-large for four-year terms. The powers of this commission are regulated by ordinances and resolutions of the District, Walton County, and the statutes of the State of Florida.

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

In accordance with GASB No. 61, the District (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the District. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As of September 30, 2014, South Walton County Mosquito Control District had no component units, as defined by GASB 61.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (the District has no business-type activities to report on the government-wide financial statements), which rely, to a significant extent, on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recorded as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Intergovernmental revenues collected and held by other governments at year-end on behalf of the District, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Walton County Tax Collector bills and collects property taxes for the District in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

Lien Date	January 1, 2014
Levy Date	November 1, 2014
Due Date	November 1, 2014
Delinquent Date	April 1, 2015

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

Discounts of 1% for each month taxes are paid prior to March 2015 are granted.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 30 days of the current period be accrued. Therefore, the District accrues for the actual amount of ad valorem tax revenue received from the Tax Collector after September 30, but prior to November 1. No accrual is made for the 2015 ad valorem tax revenue levied by the Tax Collector on November 1 because property taxes are not legally due until the subsequent fiscal year. Any uncollected 2014 ad valorem taxes from the November 1, 2013 levy date, due April 1, 2014, are not recorded as a receivable at the balance sheet date because the outstanding balance is generally immaterial in amount and highly susceptible to uncollectability.

Basis of Presentation

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

Amounts reported as program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources, as they are needed.

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) and not net income. The following two governmental classifications are used by the District:

General Fund - This is the District's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

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

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

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

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

Assets, Liabilities, and Net Position or Equity - Continued

Deposits and Investments

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

Receivables and Payables

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

Restricted Assets

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

Inventories

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

Capital Assets

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

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

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

Assets, Liabilities, and Net Position or Equity – Continued

Capital Assets - Continued

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

<u>Assets</u>	<u>Years</u>
Buildings	5-50 Years
Improvements other than buildings	20-50 Years
Vehicles	5 Years
Equipment and furnishings	5-20 Years

Compensated Absences

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

Annual Leave

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

<u>Years of Employment</u>	<u>Accrual Rate</u>	<u>Annual Accrual</u>
0-1 Year	11.3 hours per month	136 hours
2-5 Years	16.0 hours per month	192 hours
6-10 Years	21.3 hours per month	224 hours
11-15 Years	21.3 hours per month	256 hours
>15 Years	22.0 hours per month	264 hours

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

The amount of the unpaid compensated absences at September 30, 2014 was \$32,334.

Long-Term Liabilities

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

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

**Assets, Liabilities, and Net Position or Equity – Continued
Classification of Fund Balance**

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

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Events Occurring After Reporting Date

The District has evaluated events and transactions that occurred between September 30, 2014 and [DATE], which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. An appropriated budget is adopted for the General Fund and Special Revenue Fund. The Board of Commissioners must approve any revision to the budget. Comparisons are made of actual results to budgeted amounts. Budget data presented in the financial statements includes approved amendments to the original adopted budget. Budgetary data reflected in the financial statements are based on procedures required by Florida Statutes.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Budgets - Continued

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

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

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

3. DEPOSITS AND INVESTMENTS

Deposits

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

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

At year-end, the reported amount of the District's deposits was \$658,213 and the bank balance was \$679,094, all of which was held by Qualified Public Depositories under Chapter 280, Florida Statutes.

4. RECEIVABLES

Receivables at September 30, 2014, were as follows:

	<u>General Fund</u>
Governmental activities	
Due from other governments	
Due from Walton County Tax Collector	\$ 8,030

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 500	\$ -	\$ -	\$ 500
Capital assets being depreciated				
Buildings	399,879	-	-	399,879
Furniture and equipment	1,047,587	9,480	(3,510)	1,053,557
Total capital assets being depreciated	1,447,466	9,480	(3,510)	1,453,436
Less accumulated depreciation	(754,280)	(80,721)	2,060	(832,941)
Total capital assets being depreciated, net	693,186	(71,241)	(1,450)	620,495
Governmental activities, net	<u>\$ 693,686</u>	<u>\$ (71,241)</u>	<u>\$ (1,450)</u>	<u>\$ 620,995</u>

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

Governmental Activities	
Human services	<u>\$ 80,721</u>

6. DEFINED BENEFIT PENSION PLANS

Plan Description

South Walton County Mosquito Control District contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Florida Division of Retirement. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS was established in 1970 by chapter 121, Florida Statutes. Changes to the law can be made only by an act of the Florida Legislature. Rules governing the operations and administration of the system may be found in chapter 60S of the Florida Administrative Code. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Department of Management Services, Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560 or by calling (850) 488-5706.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

Contribution requirements of the Plan are established in Florida Statutes Chapters 121, 122, and 123 and may only be amended by legislative action. All employer retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. Active Plan members do not contribute to the Plan. All employer required contributions are made at actuarially determined rates. Effective July 1, 2013, the contribution rates, expressed as a percentage of covered payroll, were: elected officials (District Commissioners) 43.24%; senior management 21.14%; and regular employees 7.37%. The District's contributions to the FRS for the year ending September 30, 2014 were \$26,367.

Membership in the Plan consisted of 15 active plan members at September 30, 2014.

7. OTHER POSTEMPLOYMENT BENEFITS

Plan Contributions, Funding Policy and Annual OPEB Cost

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

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

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

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

The District has chosen to implement GASB Statement 45 prospectively. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

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

Annual required contribution	\$ 27,290
Interest on net OPEB obligation	2,656
Adjustment to annual required contribution	(3,579)
Annual OPEB cost (expense)	26,367
Estimated net contributions made	(7,291)
Anticipated increase in net OPEB obligation	19,076
Net OPEB obligation - beginning of year	59,024
Net OPEB obligation - end of year	\$ 78,100

*These numbers are based on the most recent actuarial valuation report dated October 1, 2012.

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

Year Ending September 30,	Annual OPEB Cost	Percentage Contribution	Net OPEB Obligation
2014	\$ 26,367	27.7%	\$ 78,100
2013	\$ 25,789	28.7%	\$ 59,024
2012	\$ 23,851	45.4%	\$ 40,641

There is no funding for these benefits as they are on a "pay as you go" basis. In the interim actuarial valuation dated October 1, 2013, the Entry Age Normal (level % of pay) actuarial cost method was used. Select actuarial assumptions are as follows: Funding Interest Rate of 4.5%; Health Care Inflation: Pre-Medicare 7.5% (trending to 4.5% in 2017), Post-Medicare 7.5% (trending to 4.5% in 2017). Payroll Growth/Inflation Assumption 0.0%; and Amortization of UAAL: Level Percentage of Payroll (Closed Amortization over 30 Years).

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

8. LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The following table summarizes changes in long-term liabilities of the District for the year ended September 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities				
Compensated absences	\$ 37,761	\$ 62,917	\$ (68,344)	\$ 32,334
Other postemployment benefits	59,024	26,367	(7,291)	78,100
Total governmental activities	<u>\$ 96,785</u>	<u>\$ 89,284</u>	<u>\$ (75,635)</u>	<u>\$ 110,434</u>

9. RISK MANAGEMENT

South Walton County Mosquito Control District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases insurance through commercial carriers to cover these risks.

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

Life and Accidental Death and Dismemberment Insurance

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

Supplemental Reimbursement Program

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

SUPPLEMENTARY INFORMATION

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 Unaudited**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b- a)/c)
10/1/2012	\$ -	\$ 195,287	\$ 195,287	0%	\$ 537,253	36.3%

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

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

See independent auditors' report.

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION
OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Board of Commissioners
South Walton County Mosquito Control District

We have examined South Walton County Mosquito Control District's compliance with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2014.

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

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

In our opinion, the South Walton County Mosquito Control District complied, in all material respects, with the aforementioned requirement for the year ended September 30, 2014.

Warren Averett, LLC

Destin, Florida
December 26, 2014

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
South Walton County Mosquito Control District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Walton County Mosquito Control District, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise South Walton County Mosquito Control District's basic financial statements, and have issued our report thereon dated December 26, 2014.

Internal Control over Financial Reporting

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

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

Purpose of this Report

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

Warren Averett, LLC

Destin, Florida
December 26, 2014

MANAGEMENT LETTER

Board of Commissioners
South Walton County Mosquito Control District

Report on the Financial Statements

We have audited the financial statements of the South Walton County Mosquito Control District (the District) as of and for the year ended September 30, 2014, and have issued our report thereon dated December 26, 2014.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on 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 those reports, which are dated December 26, 2014, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition

Section (1)(i)5.a., Rules of the Auditor General, requires that we 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(a)(i)5.c. and 10.556(8)., Rules of the Auditor General, we applied financial 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., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2014, 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, 2014. 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 and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We greatly appreciate the assistance and cooperation extended to us during our audit.

Warren Averett, LLC

Destin, Florida
December 26, 2014