

**SOUTH WALTON COUNTY
MOSQUITO CONTROL DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2020

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
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SEPTEMBER 30, 2020**

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INDEPENDENT AUDITORS' REPORT

To the 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 and the general fund of the South Walton County Mosquito Control District (the District), as of and for the year ended September 30, 2020, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 and the general fund of the South Walton County Mosquito Control District, as of September 30, 2020, and the respective changes in financial position thereof, and the respective budgetary comparison information for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Warren Averett, LLC

Destin, Florida
July 13, 2021

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The following are financial highlights for fiscal year 2020:

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$7,089,212 (net position) and represents an increase of \$2,499,992 (or 54.5%) from the prior year. Of this amount, \$1,109,290 represents investments in capital assets (e.g., land, building, machinery and equipment) and \$5,979,922 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 \$4,529,023 and total expenses of \$2,029,031, resulting in a change in net position of \$2,499,992.
- Total revenues increased by \$514,690 (or 12.82%) compared to the prior year, primarily as the result of an increase in the property values.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The government-wide financial statements are found on pages 8-9 of this report.

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.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Government-Wide Financial Statements – Continued

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

The government-wide financial statements distinguish and demonstrate that, as a governmental activity, the District is principally supported by property taxes 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 10-13 of this report.

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

The District maintains one governmental fund, the General Fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund. The District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement is provided to demonstrate compliance with the adopted budget.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a condensed summary of net position of the District for fiscal years 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 7,223,616	\$ 4,619,680
Capital assets	1,109,290	1,045,301
Total assets	<u>8,332,906</u>	<u>5,664,981</u>
Total deferred outflows	286,605	304,497
Current and other liabilities	89,581	67,955
Noncurrent liabilities	1,321,019	1,223,563
Total liabilities	<u>1,410,600</u>	<u>1,291,518</u>
Total deferred inflows	119,699	88,740
Net position		
Net investment in capital assets	1,109,290	1,045,301
Unrestricted	5,979,922	3,543,919
Total net position	<u>\$ 7,089,212</u>	<u>\$ 4,589,220</u>

The following schedule compares the revenues and expenses of the District for the current and previous fiscal years:

	<u>2020</u>	<u>2019</u>
Revenues		
General Revenues		
Taxes	\$ 4,336,547	\$ 3,941,558
Investment earnings	45,483	61,802
Gain on asset disposals	136,881	-
Other	10,112	10,973
Total revenues	<u>4,529,023</u>	<u>4,014,333</u>
Expenses		
Governmental activities		
Human services	2,029,031	2,064,298
Change in net position	2,499,992	1,950,035
Net position, beginning	4,589,220	2,639,185
Net position, ending	<u>\$ 7,089,212</u>	<u>\$ 4,589,220</u>

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

BUDGETARY HIGHLIGHTS

The District's budget is made up of governmental funding sources from the General Fund. General Fund revenues are generated through assessments of ad valorem taxes upon the property owners within the district.

The General Fund is affected each year by budget surpluses that are not exactly known when the original budget is adopted by the Board of Commissioners and approved by the Florida Department of Agriculture and Consumer Services (FDACS). Subsequent to the end of each fiscal year, when the actual budget surplus is calculated, budget amendments are approved to reflect the known amounts. For fiscal year 2020, there were no budget amendments approved.

During fiscal year 2020, final budgeted appropriations in the General Fund exceeded actual total expenditures by \$4,480,212 (or 69.3%). This variance is primarily related to capital projects that did not commence as intended and unused contingency reserves. Appropriations in the fiscal year 2021 budget are \$10,818,384, which represents an increase in appropriations over fiscal year 2020, primarily as a result of capital projects planned by the District.

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.

ECONOMIC FACTORS AND FUTURE FINANCIAL BUDGETS AND RATES

The State of Florida, by constitution, does not have a state individual income tax; 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 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 taxes (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 2021. The assessed millage rate was 0.2400 for fiscal year 2020, and the District elected to keep its millage rate at 0.2400 for fiscal year 2021. The District also budgeted a General Fund surplus from 2020 of \$240,000.

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 the Walton County.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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, 774 North County Highway 393, 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, 2020**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,345,888
Investments	3,591,804
Due from other governments	32,466
Accounts receivable	171,531
Inventory	81,927
Capital assets	
Non-depreciable	160,313
Depreciable, net	948,977
TOTAL ASSETS	8,332,906
DEFERRED OUTFLOWS OF RESOURCES	286,605
LIABILITIES	
Accounts payable	87,123
Accrued Liabilities	2,458
Non-current liabilities, due in more than one year	
Compensated absences	40,184
Other postemployment benefits (OPEB)	289,818
Net pension liability	991,017
TOTAL LIABILITIES	1,410,600
DEFERRED INFLOWS OF RESOURCES	119,699
NET POSITION	
Net investment in capital assets	1,109,290
Unrestricted	5,979,922
TOTAL NET POSITION	\$ 7,089,212

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities					
Human services	\$ 2,029,031	\$ -	\$ -	\$ -	\$ (2,029,031)
General revenues					
Ad valorem taxes					4,336,547
Investment earnings					45,483
Gain on asset disposals					136,881
Miscellaneous					10,112
Total general revenues					4,529,023
					CHANGE IN NET POSITION
					2,499,992
					NET POSITION AT BEGINNING OF YEAR
					4,589,220
					NET POSITION AT END OF YEAR
					\$ 7,089,212

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2020**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 3,345,888
Investments	3,591,804
Due from other governments	32,466
Accounts receivable	171,531
Inventory	81,927
TOTAL ASSETS	\$ 7,223,616
LIABILITIES	
Accounts payable	\$ 87,123
Accrued liabilities	2,458
TOTAL LIABILITIES	89,581
DEFERRED INFLOW OF RESOURCES	
Unavailable revenue	171,531
FUND BALANCE	
Nonspendable – inventory	81,927
Assigned for reserves	240,000
Unassigned	6,640,577
Total fund balance	6,962,504
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCE AND FUND BALANCE	\$ 7,223,616

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, 2020**

Fund balance – total governmental funds (page 10)		\$ 6,962,504
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental non-depreciable assets	160,313	
Governmental depreciable assets	2,327,328	
Less accumulated depreciation	<u>(1,378,351)</u>	
		1,109,290
Unavailable revenues in governmental funds are susceptible to full accrual on the entity-wide statements.		
Receivable related to insurance proceeds		171,531
Deferred inflows of resources and deferred outflows of resources related to pensions are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.		
Deferred outflows of resources – pensions	286,605	
Deferred inflows of resources – pensions	<u>(119,699)</u>	
		166,906
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences	(40,184)	
Other postemployment benefits (OPEB) liability	(289,818)	
Net pension liability	<u>(991,017)</u>	
		<u>(1,321,019)</u>
Net position of governmental activities (page 8)		<u>\$ 7,089,212</u>

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund
REVENUES	
Taxes	\$ 4,336,547
Miscellaneous	55,595
Total revenues	4,392,142
EXPENDITURES	
Current	
Human services	
Personal services	1,115,869
Operating	586,969
Capital outlay	278,525
Total expenditures	1,981,363
NET CHANGE IN FUND BALANCE	2,410,779
FUND BALANCE AT BEGINNING OF YEAR	4,551,725
FUND BALANCE AT END OF YEAR	\$ 6,962,504

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, 2020**

Net change in fund balance – governmental funds (page 12) \$ 2,410,779

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	278,525	
Less current year depreciation	(179,886)	
Disposal of capital assets	(142,834)	
Accumulated depreciation – disposals	108,184	
		63,989

Unavailable revenues in governmental funds are recognized when received however the revenue is recognized in the statement of activities when it was earned

Payments received from insurance claim	171,531
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences	(11,412)	
Change in other postemployment benefits	(42,147)	
Change in net pension liability and related deferred inflows and outflows	(92,748)	
		(146,307)

Change in net position of governmental activities (page 9)	\$ 2,499,992
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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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget – Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,166,552	\$ 4,166,552	\$ 4,336,547	\$ 169,995
Miscellaneous	190,500	190,500	55,595	(134,905)
Total revenues	4,357,052	4,357,052	4,392,142	35,090
EXPENDITURES				
Current				
Human services				
Personal services	1,380,877	1,380,877	1,115,869	265,008
Operating expenses	1,085,514	1,085,514	586,969	498,545
Capital outlay	3,995,184	3,995,184	278,525	3,716,659
Total expenditures	6,461,575	6,461,575	1,981,363	4,480,212
NET CHANGE IN FUND BALANCE	(2,104,523)	(2,104,523)	2,410,779	4,515,302
FUND BALANCE AT BEGINNING OF YEAR	2,344,523	2,344,523	4,551,725	2,207,202
FUND BALANCE AT END OF YEAR	<u>\$ 240,000</u>	<u>\$ 240,000</u>	<u>\$ 6,962,504</u>	<u>\$ 6,722,504</u>

See notes to the financial statements.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the District

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

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

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

The Reporting Entity

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

As required by GAAP, these financial statements present the District as the primary government. In evaluating the District as a reporting entity, management has considered all potential component units for which the District may or may not be financially accountable and, as such, be included within the District's financial statements.

As of September 30, 2020, South Walton County Mosquito Control District had no reportable component units.

Government-Wide and Fund Financial Statements

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

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

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting

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

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

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

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, 2019
Levy Date	November 1, 2019
Due Date	November 1, 2019
Delinquent Date	April 1, 2020

Discounts of 1% for each month taxes are paid prior to March 2020 are granted.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

Revenue recognition criteria for property taxes 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 2020 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 2020 ad valorem taxes from the November 1, 2019 levy date, due April 1, 2020, are not recorded as a receivable at the balance sheet date because the outstanding balance is generally immaterial in amount and highly susceptible to uncollectibility.

Basis of Presentation and Restatement

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 governmental classification is 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.

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) purchased within three months of maturity are considered to be cash equivalents.

Deposits and Investments

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized. The District adheres 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.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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).

Inventory

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 nonspendable fund balance in the fund financial statements, which indicates that they do not constitute "available spendable resources."

Capital Assets

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

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

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

<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

Long-Term Liabilities

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

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Compensated Absences

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

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

Net Pension Liability

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

Other Postemployment Benefits (OPEB) Liability

For the purposes of measuring the net OPEB liability and OPEB expense, the District utilizes the Alternative Measurement Method for small plans as permitted under U.S. GAAP. The plan recognizes benefit payments when due and payable in accordance with benefit terms.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The District has only one item that qualifies for reporting in this category related to the defined benefit pension plans as more fully described in Note 6 to the financial statements.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has only one item that qualifies for reporting in this category related to the defined benefit pension plans as more fully described in Note 6.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Classification of Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established 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 the governmental funds.

Fund balance classifications are comprised of the following:

- Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid items.
- Restricted – includes amounts that can be spent only by the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.
- Committed – includes amounts that can be used only for the specific purposes that are internally imposed by a formal action (a Resolution) of the government’s highest level of decision-making authority, the Board of Commissioners. Commitments may be changed or lifted only by the Board of Commissioners taking the same formal action (a Resolution) that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.
- Assigned – includes spendable amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Intent is expressed by (a) the Board of Commissioners or (b) a body (for example: a budget or finance committee) or official to which the Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund.
- Unassigned – includes amounts within the General Fund, which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Classification of Fund Balance – Continued

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 balance. In all other funds, unassigned is limited to negative residual fund balance.

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.

Net Position

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.

Estimates

The preparation of financial statements in conformity with GAAP 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, 2020 and June 28, 2021, 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. The Board of Commissioners must approve any amendments to the budget. Comparisons are made of actual results to budgeted amounts. Budget data presented in the financial statements includes approved amendments to the original adopted budget. Budgetary data reflected in the financial statements are based on procedures required by Florida Statutes.

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

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Budgets – Continued

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 – The District maintains its deposits with “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 (or in the name of) the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. In the event of default by a qualified public depository, excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all District deposits, including certificates of deposit, are considered fully insured. The District does not have a formal policy for custodial credit risk.

As of September 30, 2020, the value of the District’s deposits was \$3,406,900, all of which was held by qualified public depositories or permitted investments under Chapter 280, Florida Statutes.

Investments

The District does not have a written investment policy, but has adopted the policy provided by the Florida Statutes, Section 218.415, which authorizes the City to invest surplus funds in the following:

1. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

The District is invested in the Florida Local Government Investment Trust (FLGIT)'s Day to Day Fund and Florida Cooperative Liquid Assets Securities System (FLCLASS), both of which are an authorized investment under Section 218.415, Florida Statutes. Both investment vehicles meet the requirements to be measured at amortized cost, which includes accrued income and is a method of calculating an investment's value by adjusting its acquisition costs for amortization of discount or premium over the period from purchase to maturity. Thus, the value in the fund approximates fair value and is not subject to the fair value hierarchy.

Interest Rate Risk – Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District uses the weighted average maturity (WAM) method to disclose its interest rate risk as presented below.

Credit Risk – Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. The District is required to disclose the credit quality ratings for investments in debt securities, as well as investments in external investment pools, money market funds and other pooled investments of fixed-income securities. Investments may be aggregated by rating categories within the disclosure. Ratings are set by nationally recognized statistical rating organization (i.e. Fitch, S&P) as presented below.

As of September 30, 2020, the District held the following investments:

Investment Type	Weighted Average Maturity (in days)	Credit Quality Rating	Fair Value
Florida Local Government Investment Trust			
Pooled Cash	127	AAAf	\$ 1,540,376
Florida Cooperative Liquid Assets Securities System	44	AAAm	2,051,428
			<u>\$ 3,591,804</u>

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

4. RECEIVABLES

Receivables at September 30, 2020, were as follows:

	General Fund
Due from Other Governments	
Due from Walton County Tax Collector	\$ 32,466
Accounts Receivable	
Proceeds from insurance claim	\$ 171,531

5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 500	\$ -	\$ -	\$ 500
Construction in Progress	7,864	151,949	-	159,813
Total capital assets not being depreciated	8,364	151,949	-	160,313
Capital assets being depreciated				
Buildings	399,879	-	-	399,879
Building improvements	142,423	-	-	142,423
Furniture and equipment	1,801,284	126,576	(142,834)	1,785,026
Total capital assets being depreciated	2,343,586	126,576	(142,834)	2,327,328
Total accumulated depreciation	(1,306,649)	(179,886)	108,184	(1,378,351)
Total capital assets being depreciated, net	1,036,937	(53,310)	(34,650)	948,977
Governmental activities, net	\$ 1,037,437	\$ 98,639	\$ (34,650)	\$ 1,109,290

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

Governmental activities	
Human services	\$ 179,886

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

6. DEFINED BENEFIT PENSION PLANS

All of the District's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Research and Education Section, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the website: www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan – Florida Retirement System (FRS)

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) for eligible employees.

Benefits Provided

Benefits under the pension plan are computed on the basis of age, average final compensation, and service credit. Regular Class members enrolled before July 1, 2011, who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 1.60% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits.

Senior Management Service Class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

Elected Officers' Class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Plan – Florida Retirement System (FRS) – Continued

Benefits Provided – Continued

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

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

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

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for each of the prior three years are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Regular Class:	10.00%	8.47%	8.26%
Special Risk Class:	24.45%	25.48%	24.50%
Senior Management Class:	27.29%	25.41%	24.06%
DROP:	16.98%	14.60%	14.03%

These employer contribution rates include 1.66% for HIS Plan subsidies for the periods October 1, 2016 through September 30, 2020. The District's contributions including employee contributions, to the Pension Plan totaled \$61,762, \$59,477, and \$57,751 for the fiscal years ended September 30, 2020, 2019 and 2018, respectively.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Plan – Florida Retirement System (FRS) – Continued

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources

At September 30, 2020, the District reported a liability of \$742,052 for its proportionate share of the Pension Plan's net pension liability. The District's proportionate share of the net pension liability was based on the District's share of contributions to the FRS relative to the contributions of all participating members. At June 30, 2020, the District's proportionate share was 0.001712062%.

For the fiscal year ended September 30, 2020, the District recognized pension expense of \$83,550. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,399	\$ -
Change of assumptions	134,333	-
Net difference between projected and actual earnings on Pension Plan investments	44,181	-
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	4,906	86,197
District Pension Plan contributions subsequent to the measurement date	18,146	-
	<u>\$ 229,965</u>	<u>\$ 86,197</u>

The deferred outflows of resources related to the Pension Plan, totaling \$18,146 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2021	\$ 26,050
2022	49,819
2023	39,857
2024	17,154
2025	(8,917)
Thereafter	1,659
	<u>\$ 125,622</u>

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Plan – Florida Retirement System (FRS) – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation

Mortality assumptions for the FRS Pension Plan were based on the PUB-2010 base table, projected generally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of a 2019 actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.2%	2.2%	1.2%
Fixed income	19.0%	3.0%	2.9%	3.5%
Global equity	54.2%	8.0%	6.7%	17.1%
Real estate	10.3%	6.4%	5.8%	11.7%
Private equity	11.1%	10.8%	8.1%	25.7%
Strategic investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.00%</u>			
Assumed inflation – mean			2.4%	1.7%

(1) As outlined in the Pension Plan's investment policy

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Pension Plan – Florida Retirement System (FRS) – Continued

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. The pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for the calculation of the total pension liability is equal to the long-term expected rate of return.

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

The following represents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
District’s proportionate share of the net pension liability	\$ 1,184,902	\$ 742,052	\$ 372,147

Pension Plan Fiduciary Net Position

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

Health Insurance Subsidy (HIS) Plan

Plan Description

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

Benefits Provided

For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Health Insurance Subsidy (HIS) Plan – Continued

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2020, the HIS contribution for the plan was 1.66%. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled \$12,476, \$11,818 and \$11,009 for the fiscal years ended September 30, 2020, 2019 and 2018, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources

At September 30, 2020, the District reported a liability of \$248,965 for its proportionate share of the HIS Plan's net pension liability. At June 30, 2020, the District's proportionate share was 0.002039054%.

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020.

For the fiscal year ended September 30, 2020, the District recognized pension expense of \$9,198. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,184	\$ 192
Change of assumptions	26,770	14,476
Net difference between projected and actual earnings on Pension Plan investments	199	-
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	16,199	18,834
District Pension Plan contributions subsequent to the measurement date	3,288	-
	<u>\$ 56,640</u>	<u>\$ 33,502</u>

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Health Insurance Subsidy (HIS) Plan – Continued

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources – Continued

The deferred outflows of resources related to the HIS Plan, totaling \$3,288 resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2021	\$ 5,798
2022	4,191
2023	836
2024	2,504
2025	3,563
Thereafter	<u>2,958</u>
	<u><u>\$ 19,850</u></u>

Actuarial Assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	2.21%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of a 2019 actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Health Insurance Subsidy (HIS) Plan – Continued

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

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 2.21%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
District's proportionate share of the net pension liability	\$ 287,793	\$ 248,965	\$ 217,185

Pension Plan Fiduciary Net Position

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

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN

Plan Description

The District provides certain continuing health care and life insurance benefits for its retired employees. The plan is a single employer defined benefit OPEB plan administered by the District. The authority to establish and/or amend the obligation of the District, employees and retirees rests with the District's Board of Directors. The plan does not issue a separate report. The plan does not meet the requirements for an OPEB plan administered through a trust.

Plan Membership as of September 30, 2020

Inactive plan members or beneficiaries currently receiving benefit payments	2
Inactive plan members entitled to but not yet receiving benefit payments	-
Active employees	18
	20

Benefits Provided

Medical benefits are provided through comprehensive plans and are made available to employees upon actual retirement. Full-time employees completing 20 years of service with the District are eligible to have health and life insurance premiums paid at a rate of 50%, until the employee starts receiving FRS retirement benefits. At this time, the District will pay the premium in full, minus the HIS received monthly from FRS. Current retirees have grandfathered life insurance arrangements. All other retirees participating in the group insurance offered by the District are required to contribute 100% of the active premiums, less the HIS received monthly from FRS.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN – CONTINUED

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions:

Measurement date	September 30, 2020
Valuation date	September 30, 2020
Actuarial cost method	Entry age cost method (level % of pay)
Asset valuation method	Market value
Inflation	2.5% annually
Salary increase	2.5% annually
Prior discount rate	3.58%
Discount rate	2.14% annually which is the Bond Buyer 20-Bond General
Health care trend rate	Initial rate of 7.00% in fiscal year 2021, grading down to the ultimate trend rate of 4.00% in fiscal year 2075.
Retirement age	100% at age 62
Mortality	PubG-2010 Mortality Table, projected to the valuation date using Projection scale MP-2019

Discount Rate

Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 2.14%. The high-quality municipal bond rate was based on the week closest, but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

OPEB Expense

For the year ended September 30, 2020, the District recognized OPEB expense of \$66,754.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN – CONTINUED

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2019	\$ 247,671	\$ -	\$ 247,671
Changes for the year:			
Service cost	11,329	-	11,329
Interest	8,890	-	8,890
Differences between expected and actual experience	(35,768)	-	(35,768)
Changes of assumptions	79,303	-	79,303
Benefit payments	(21,607)	-	(21,607)
Net changes	42,147	-	42,147
Balances at September 30, 2020	\$ 289,818	\$ -	\$ 289,818

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

	1% Decrease	Current	1% Increase
	1.14%	Discount Rate 2.14%	3.14%
Net OPEB liability	\$ 333,801	\$ 289,818	\$ 253,650

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

	1% Decrease	Current	1% Increase
	3.00% - 6.00%	Healthcare Trend 4.00% - 7.00%	5.00% - 8.00%
Net OPEB liability	\$ 247,814	\$ 289,818	\$ 340,603

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

8. LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt liabilities of the District for the year ended September 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
Compensated absences	\$ 28,772	\$ 59,433	\$ (48,021)	\$ 40,184

9. RISK MANAGEMENT

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

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

10. COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

Construction Commitment

In June 2020, the District's commissioners approved a proposal for the construction of a new headquarters building with a total estimated cost of construction of approximately \$4,000,000. No agreement has been entered into for this project as of the date of this report.

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS****

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.001712062%	0.002033503%	0.002026413%	0.002135574%	0.002270559%	0.002199773%
District's proportionate share of the net pension liability	\$ 742,052	\$ 700,310	\$ 610,366	\$ 631,689	\$ 573,318	\$ 284,130
District's covered-employee payroll	\$ 691,541	\$ 823,766	\$ 786,419	\$ 697,566	\$ 655,077	\$ 656,437
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	107.30%	85.01%	77.61%	90.56%	87.52%	43.28%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

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

** This schedule is intended to show information for ten years. Additional years will be displayed as the data becomes available.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY
LAST 10 FISCAL YEARS****

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.002039054%	0.002205829%	0.002030008%	0.002093310%	0.002093310%	0.002075709%
District's proportionate share of the net pension liability	\$ 248,965	\$ 246,810	\$ 214,858	\$ 215,280	\$ 243,967	\$ 211,690
District's covered-employee payroll	\$ 691,541	\$ 823,766	\$ 786,419	\$ 697,566	\$ 655,077	\$ 656,437
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	36.00%	29.96%	27.32%	30.86%	37.24%	32.25%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

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

** This schedule is intended to show information for ten years. Additional years will be displayed as the data becomes available.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS****

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 59,477	\$ 59,477	\$ 57,751	\$ 55,594	\$ 55,371	\$ 53,632
Contributions in relation to the contractually required contribution	<u>(59,477)</u>	<u>(59,477)</u>	<u>(57,751)</u>	<u>(55,594)</u>	<u>(55,371)</u>	<u>(53,632)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
District's covered-employee payroll	\$ 691,541	\$ 823,766	\$ 786,419	\$ 697,566	\$ 655,077	\$ 656,437
Contributions as a percentage of covered-employee payroll	8.60%	7.22%	7.34%	7.97%	8.45%	8.17%

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

** This schedule is intended to show information for ten years. Additional years will be displayed as the data becomes available.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
SCHEDULE OF CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY
LAST 10 FISCAL YEARS****

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 11,818	\$ 11,818	\$ 11,009	\$ 10,655	\$ 10,730	\$ 7,935
Contributions in relation to the contractually required contribution	<u>(11,818)</u>	<u>(11,818)</u>	<u>(11,009)</u>	<u>(10,655)</u>	<u>(10,730)</u>	<u>(7,935)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>				
District's covered-employee payroll	\$ 691,541	\$ 823,766	\$ 786,419	\$ 697,566	\$ 655,077	\$ 656,437
Contributions as a percentage of covered-employee payroll	1.71%	1.43%	1.40%	1.53%	1.64%	1.21%

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

** This schedule is intended to show information for ten years. Additional years will be displayed as the data becomes available.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS****

Measurement Date	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 11,329	\$ 9,976	\$ 10,673
Interest	8,890	9,712	8,965
Difference between expected and actual experience	(35,768)	-	-
Changes in assumptions	79,303	15,671	(13,790)
Benefit payments	<u>(21,607)</u>	<u>(19,914)</u>	<u>(18,354)</u>
Net change in total OPEB liability	42,147	15,445	(12,506)
Total OPEB liability – beginning	<u>247,671</u>	<u>232,226</u>	<u>244,732</u>
Total OPEB liability – ending	<u>\$ 289,818</u>	<u>\$ 247,671</u>	<u>\$ 232,226</u>
Covered employee payroll	\$ 729,263	\$ 792,663	\$ 773,330
Total OPEB liability as a percentage of covered employee payroll	39.74%	31.25%	30.03%

* The discount rate decreased from 4.18% to 3.58% for the 9/30/2019 measurement date. The discount rate decreased from 3.58% to 2.14% for the 9/30/2020 measurement date.

** This schedule is intended to show information for ten years. Additional years will be displayed as the data becomes available.

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

To the Board of Commissioners
South Walton County Mosquito Control District

We have examined South Walton County Mosquito Control District's (the District's) compliance with Section 218.415, Florida Statutes, in regards to investments for the year ended September 30, 2020.

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including the assessment of the risks of material noncompliance, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the South Walton County Mosquito Control District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

Warren Averett, LLC

Destin, Florida
July 13, 2021

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

To the Board of 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 and the General Fund of the South Walton County Mosquito Control District (the District), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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; therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described as finding 2020-001 in the accompanying schedule of findings and responses that we consider to be a material weakness.

Compliance and Other Matters

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

The District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

July 13, 2021

MANAGEMENT LETTER

To the Board of Commissioners
South Walton County Mosquito Control District

Report on the Financial Statements

We have audited the financial statements of the South Walton County Mosquito Control District (the District) as of and for the year ended September 30, 2020, and have issued our report thereon dated June 28, 2021.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and our Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 28, 2021, 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 action has been taken to address the finding and recommendation made in the preceding 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 and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes; and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our assessment was performed as of September 30, 2020.

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

Additional Matters

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 Commissioners and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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



Destin, Florida
July 13, 2021

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2020**

Findings Related to the Financial Statements, which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS)

FINDING 2020-001 PRIOR YEAR AUDIT ADJUSTMENTS

Criteria

Data underlying financial statements are captured completely, accurately, and timely, in accordance with the entity's policies and procedures, and in compliance with laws and regulations.

Condition

The unaudited financial statements of the District were not captured completely, accurately or timely.

Cause

The District's accountant did not record the 2019 audit adjustments into District's books and records. The District's former accountant did not appear to possess the skills, knowledge or experience to properly record the prior year audit adjustments.

Effect

The District could not produce relevant, quality financial information during 2020 for management and governance to make informed financial decisions.

Recommendation

Once an audit is complete, the District's accountant should ensure that their books and records agree to the audited financial statements. We also recommend the District ensure the accounting personnel responsible for the books and records of the District possess the necessary, skills, knowledge or experience to properly perform their assigned duties.

Views of responsible officials and planned corrective action

Management is in agreement with this finding.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
SEPTEMBER 30, 2020**

FINDING 2020-002 ACCOUNTS PAYABLE

Criteria

The District's management is responsible for the fair presentation of the financial statements in accordance with GAAP and for designing and maintaining internal controls to ensure the accuracy of reported amounts. Expenditures and the related liabilities should be recorded in the fiscal period the goods are provided and/or the services are rendered.

Condition

Multiple invoices were not recorded in the appropriate fiscal period.

Cause

The District did not have any procedures in place to review subsequent disbursements and determine whether they should have been accrued as of year-end. The district's former accountant did not appear to possess the skills, knowledge or experience to properly close the District's books.

Effect

Accounts payable and expenditures were understated by approximately \$53,000 which resulted in a material audit adjustment to correct the misstatement.

Recommendation

We recommend that the District implement procedures to ensure that accounts payable are properly recorded for the reporting period. We also recommend the District ensure the accounting personnel responsible for the books and records of the District possess the necessary skills, knowledge or experience to properly perform their assigned duties.

Views of responsible officials and planned corrective action

Management is in agreement with this finding.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
SEPTEMBER 30, 2020**

FINDING 2020-003 PAYROLL LIABILITIES AND EXPENSES

Criteria

The District's management is responsible for the fair presentation of the financial statements in accordance with GAAP and for designing and maintaining internal controls to ensure the accuracy of reported amounts. Payroll registers should be reviewed after processing, reconciled to control totals, and approved by an appropriate level of management.

Condition

During our audit procedures, we noted multiple payroll liabilities and expense accounts were materially misstated by approximately \$94,000. Payroll transactions were not being recorded correctly which overstated expenses and payroll liabilities for the District.

Cause

The District did not have adequate internal control procedures over the payroll class of transactions. Payroll registers were not reviewed after processing, reconciled to control totals nor approved by an appropriate level of management. The District's former accountant did not possess the skills, knowledge or experience necessary to perform these reconciliations.

Effect

Errors and problems were not detected and resolved on a timely basis which delayed the audit process as well as increased expenses incurred to correct the matter.

Recommendation

We recommend that the District implement procedures to review and reconcile the processed payroll registers to the books and records and timely investigate any variances noted. We also recommend the District ensure the accounting personnel responsible for the books and records of the District to possess the necessary skills, knowledge or experience to properly perform their assigned duties.

Views of responsible officials and planned corrective action

Management is in agreement with this finding.

**SOUTH WALTON COUNTY MOSQUITO CONTROL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
SEPTEMBER 30, 2020**

FINDING 2020-004 CREDIT CARD RECONCILIATION

Criteria

The District's management is responsible for the fair presentation of the financial statements in accordance with GAAP and for designing and maintaining internal controls to ensure the accuracy of reported amounts.

Condition

During our audit procedures, we noted multiple months of credit card transactions not being properly reconciled.

Cause

The District's procedures related to the credit card reconciliation were not adequate which resulted in expenses and credit card liability to be misstated by approximately \$9,000.

Effect

Errors and problems were not detected and resolved on a timely basis causing a delay in the audit process.

Recommendation

We recommend that the District implement procedures to ensure that all credit card accounts are reconciled on a monthly basis as part of the normal month-end closing process.

Views of responsible officials and planned corrective action

Management is in agreement with this finding.