



Sebastian Inlet District

FINANCIAL STATEMENTS

Year Ended September 30, 2016



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Sebastian Inlet District, Florida
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As of September 30, 2016

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**Sebastian Inlet District, Florida
District Commissioners
As of September 30, 2016**

District Commissioners

Jenny Lawton Seal	Chairman
Michael J. Rowland	Vice Chairman
Beth L. Mitchell	Secretary/Treasurer
Ann Perry	Commissioner
Dave Pasley	Commissioner

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INDEPENDENT AUDITORS' REPORT

To the District Commissioners
Sebastian Inlet District, Florida
Indialantic, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Sebastian Inlet District, Florida, (the "District") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 major fund of the Sebastian Inlet District, Florida as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the required budgetary comparison information and the postemployment benefits and net pension liability supplementary information on pages 7-11 and pages 41-45, respectively, 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 February 22, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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.

Caru, Riggs & Ingram, L.L.C.

Melbourne, Florida
February 22, 2017

Sebastian Inlet District, Florida Management's Discussion and Analysis

Our discussion and analysis of the Sebastian Inlet District, Florida's (the "District") financial performance, provides an overview of the District's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the District's basic financial statements, which immediately follow this discussion.

FINANCIAL HIGHLIGHTS

The following are highlights of financial activity for the year ended September 30, 2016:

- The District's total assets and deferred outflows exceeded its liabilities and deferred infows at September 30, 2016 by \$12,408,907. Of this amount, \$10,736,363 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased \$675,533; an increase of approximately 6% from the previous year's ending balance. The net increase can be explained as follows: a) \$1,981,910 received from property taxes levied during the current year, b) \$13,698 of investment income and c) \$90,489 of operating grants and contributions. These revenues were offset by \$1,410,544 of expenses for general operations, channel maintenance, mitigation and monitoring activities required for permitting and sand transfer studies as well as expenses related to the Coconut Point Stabilization Project and post-Hurricane Sandy Restoration Project.
- As of September 30, 2016, the District's governmental funds reported an ending fund balance of \$11,073,799, an increase of \$719,077 compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

A. Government-Wide Financial Statements

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

1. The statement of net position presents information on all the District's assets, liabilities and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the District.

Sebastian Inlet District, Florida Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

A. Government-Wide Financial Statements (continued)

2. The statement of activities presents information showing how the District's net position changed during the 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 flows in future fiscal periods. The government-wide financial statements can be found on pages 15 and 16 of this report.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure compliance with finance-related legal requirements.

The District has only one fund type: 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 balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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 District's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balance provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 17 through 19 of this report. The budget comparison can be found on pages 44 through 45.

C. Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 21 through 38 of this report.

Sebastian Inlet District, Florida Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$12,408,907 at the close of the most recent fiscal year. The following table reflects the condensed government-wide statement of net position:

<u>Sebastian Inlet District</u> <u>Statement of Net Position</u>		
	2016	2015
Current and other assets	\$ 11,195,092	\$ 10,394,019
Capital assets	1,672,544	1,703,739
Total assets	12,867,636	12,097,758
Deferred outflows	330,895	217,075
Other liabilities	121,293	39,297
Noncurrent liabilities	577,512	414,045
Total liabilities	698,805	453,342
Deferred inflows	90,819	128,137
Net position:		
Net investment in capital assets	1,672,544	1,703,739
Unrestricted	10,736,363	10,029,615
Total net position	\$ 12,408,907	\$ 11,733,354

An increase of \$769,878 in total assets is attributed primarily to an increase in cash of \$788,629. Total liabilities increased by \$245,463. This was caused by accounts payable increasing by \$81,903, due mainly to the District's completion of certain projects agreed to by the State and the District and an increase in net pension liability of 194,390. The increase in deferred outflows of \$113,820 and a decrease in deferred inflows of \$37,318 were due to changes in assumptions and differences between projected and actual earnings. Net position increased \$675,553 even though operating grants and contributions were \$2,958,136 less than the prior fiscal year.

Governmental Activities

Governmental activities changed the District's net position by \$675,533 and \$2,747,345 for the years ended September 30, 2016 and 2015, respectively, as reflected in the table below:

Sebastian Inlet District, Florida Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Sebastian Inlet District Statement of Activities	
	2016	2015
Revenues		
Program revenues:		
Operating grants and contributions	\$ 90,489	\$ 3,048,625
General revenues:		
Property taxes	1,981,910	1,947,746
Unrestricted investment earnings	13,698	16,761
Total revenues	2,086,097	5,013,132
Expenses		
General government	611,503	574,692
Physical environment	799,041	1,691,095
Total expenses	1,410,544	2,265,787
Change in net position	675,533	2,747,345
Net position, beginning	11,733,354	9,196,638
Prior period adjustment	-	(210,629)
Net position, beginning as restated	11,733,354	8,986,009
Net position, ending	\$ 12,408,907	\$ 11,733,354

For FY 15-16, the Sebastian Inlet District, Florida adjusted its millage rate to the rolled back rate of 0.1069. The decrease of \$2,927,035 in total revenues is primarily a result of completion of the operating grant (14IR1) with the Florida Department of Environmental Protection (Sebastian Inlet State Park Hurricane Repair project).

The District is oftentimes uncertain how much they will pay out on projects during any given fiscal year due to lengthy permitting processes. Because of this uncertainty, the District typically budgets for all potential expenditures to ensure they have the funds available for related project costs throughout the year. General governmental expenses increased by \$36,811. Physical environment expenditures decreased by \$892,054 due to the completion of the Sebastian Inlet State Park Hurricane Repair project.

ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's net resources available for spending at the end of the fiscal year. The General Fund comprises the total governmental funds.

Sebastian Inlet District, Florida Management's Discussion and Analysis

ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)

As of the end of the most current fiscal year, the District's General Fund reported an ending fund balance of \$11,073,799, an increase of \$719,077 as compared to the total balance on October 1, 2015. The change in fund balance is a result of the completion of the Sebastian Inlet State Park Hurricane Repair project.

CAPITAL ASSETS

The District's capital assets, less accumulated depreciation and amortization, for its governmental activities as of September 30, 2016 amounts to \$1,672,544, and consists of improvements other than buildings, equipment, office furniture, and intangible assets. The current year decrease of \$31,195 relates primarily to the depreciation and amortization expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

Intergovernmental revenues did not meet budgeted expectations, primarily due to subcontractor costs coming in lower than budgeted and consequently reducing the cost-share revenue available from Florida Department of Environmental Protection.

Physical environment expenditures were less than budgeted expectations mainly due to reduced expenses in the Sand Transfer System, Dredging, Maintenance and Natural Resource program expense accounts.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Revenues for the fiscal year 2016-2017 adopted budget for all funds of the District total \$12,879,486, which includes funds carried forward from the previous year, and is a 1% increase from the prior year's amended budget. Tax revenues for the fiscal year 2016-2017 adopted budget for the District total \$2,072,392, a 2% increase from the prior year's budgeted tax revenues. The District commissioners approved the millage rate for the fiscal year 2016-2017 of 0.1007 mills which is the rolled-back rate.

Expenditures for the fiscal year 2016-2017 adopted budget for all funds of the District are projected for the Sand Transfer System, Sand Trap Dredging, Maintenance of Channel, Storm Management, monitoring and jetty maintenance and repair.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Sebastian Inlet District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Sebastian Inlet District, 114 Sixth Avenue, Indialantic, Florida 32903.

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BASIC FINANCIAL STATEMENTS

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Sebastian Inlet District, Florida
Statement of Net Position

<i>September 30, 2016</i>	Primary Government
ASSETS	
Cash and cash equivalents	\$ 5,114,868
Investments	6,062,747
Due from other governments	17,477
Capital assets:	
Depreciable, net of accumulated depreciation / amortization	
Improvements other than buildings	19,806
Equipment	27,817
Intangible assets	1,624,921
Total assets	12,867,636
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pension	330,895
Total deferred outflows of resources	330,895
LIABILITIES	
Accounts payable	120,679
Accrued expense	614
Noncurrent liabilities:	
Due within one year:	
Compensated absences, current portion	17,923
Due in more than one year:	
Compensated absences, less current portion	54,414
Net pension liability	493,529
Net OPEB obligation	11,646
Total liabilities	698,805
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - pension	90,819
Total deferred inflows of resources	90,819
NET POSITION	
Net investment in capital assets	1,672,544
Unrestricted	10,736,363
Total net position	\$ 12,408,907

The accompanying notes are an integral part of this financial statement.

Sebastian Inlet District, Florida
Statement of Activities

<i>Year ended September 30, 2016</i>						Primary Government
Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
General government	\$ 611,503	\$ -	\$ -	\$ -	\$ (611,503)	
Physical environment	799,041	-	90,489	-	(708,552)	
Total governmental activities	\$ 1,410,544	\$ -	\$ 90,489	\$ -	(1,320,055)	
General revenues						
Property taxes					1,981,910	
Unrestricted investment earnings					13,698	
Total general revenues					1,995,608	
Change in net position					675,553	
Net position, beginning of year					11,733,354	
Net position, end of year					\$ 12,408,907	

The accompanying notes are an integral part of this financial statement.

Sebastian Inlet District, Florida
Balance Sheet – Governmental Fund

<i>September 30, 2016</i>	General	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 5,114,868	\$ 5,114,868
Investments	6,062,747	6,062,747
Due from other governments	17,477	17,477
Total assets	\$ 11,195,092	\$ 11,195,092
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 120,679	\$ 120,679
Accrued expenses	614	614
Total liabilities	121,293	121,293
Fund balances:		
Assigned:		
Legal counsel	46,000	46,000
Engineering	175,000	175,000
Sand transfer system	179,800	179,800
Sand trap dredging	4,191,407	4,191,407
Maintenance of channel	25,112	25,112
Construction programs	475,000	475,000
Subsequent year's budget deficit	1,805,687	1,805,687
Unassigned	4,175,793	4,175,793
Total fund balances	11,073,799	11,073,799
Total liabilities and fund balances	\$ 11,195,092	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,672,544
Deferred outflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	330,895
Deferred inflow of resources related to pension earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	(90,819)
Long-term liabilities, including net OPEB obligation, compensated absences and net pension liability, are not due and payable in the current period and therefore are not reported in the funds	(577,512)
Net position of governmental activities	\$ 12,408,907

The accompanying notes are an integral part of this financial statement.

Sebastian Inlet District, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Fund

<i>Year ended September 30, 2016</i>	General	Total Governmental Fund
Revenues		
Taxes:		
Brevard County	\$ 1,564,358	\$ 1,564,358
Indian River County	417,552	417,552
Intergovernmental	90,489	90,489
Interest and other	13,698	13,698
Total revenues	2,086,097	2,086,097
Expenditures		
Current:		
General government	596,433	596,433
Physical environment	747,099	747,099
Capital outlay	23,488	23,488
Total expenditures	1,367,020	1,367,020
Excess of revenues over expenditures	719,077	719,077
Fund balance, beginning of year	10,354,722	10,354,722
Fund balance, end of year	\$ 11,073,799	\$ 11,073,799

The accompanying notes are an integral part of this financial statement.

Sebastian Inlet District, Florida

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

Year ended September 30, 2016

Net change in fund balances - total governmental funds	\$ 719,077
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>	(31,195)
<p>Other post-employment benefit obligation is reported in the statement of activities when it is estimated to be earned. As it does not require the use of current financial resources, it is not reported as an expenditure in governmental funds until paid. This is the amount of other post-employment benefit obligation reported in the statement of activities in the prior year that was paid in the current year.</p>	41,622
<p>Cash pension contributions reported in the funds were more than the calculated pension expense on the statement of activities and therefore increased net position.</p>	(43,252)
<p>Compensated absences 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.</p>	(10,699)
Change in net position of governmental activities	\$ 675,553

The accompanying notes are an integral part of this financial statement.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Sebastian Inlet District, Florida (the "District") is a multi-county independent special taxing district established by an act of the Florida State Legislature, Chapter 7976 (No. 194) in 1919 to construct and maintain a navigable waterway connecting the Atlantic Ocean and the Indian River. The District's legal name as defined by the enabling legislation is Sebastian Inlet District. However, the Florida Department of Economic Opportunity has the District registered as Sebastian Inlet Tax District. The District is governed by an elected Board of Commissioners, which consists of five members.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all activities of the primary government. *Governmental activities* are those which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 recognized 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The District reports the following major governmental fund:

The *general fund* is the government's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as *program revenues* include 1) charges for services, 2) operating grants and contributions, and 3) and contributions. 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, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Equity

1. Cash and cash equivalents

Cash and cash equivalents represents all investments that are short term, highly liquid, and readily convertible to a specified cash value. These investments generally have original maturities of three months or less. Cash equivalents consist of cash in banks and on hand.

2. Investments

The District's investments consist of certificates of deposit, which are held to maturity and are nonparticipating interest-earning investment contracts. The certificates of deposits are valued at cost plus accrued interest per GASBS 31.

3. Due from other governments

The District considers due from other governments in the general fund to be fully collectible; accordingly, no allowance for doubtful accounts is required.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements other than buildings	5-20
Equipment	5-10
Office furniture	5-10
Intangible assets - land easement and improvements	50

6. Deferred outflows / inflows of resources

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred outflows of resources related to pensions were \$330,895 and deferred inflows of resources related to pensions were \$90,819 for the year ended September 30, 2016. Note 4. I. includes a complete discussion of defined benefit pension plans.

7. Compensated absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

8. Long-term obligations

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

9. Fund equity

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance – Amounts that are inherently not spendable because of their form (such as inventory) and/or that cannot convert or are not readily convertible to cash (such as prepaid assets).

Assigned Fund Balance – Amounts that the District Administrator has identified to be used for a specific purpose and any deficit budgeted for the next fiscal year.

Unassigned Fund Balance – The remaining portion of fund balance which is spendable and not obligated or specifically designated, and thus, available for any purpose.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

As permitted by GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, the District has elected to disclose all budgetary information in the notes to the required supplementary information on page 44.

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation states that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(577,512) difference are as follows:

Compensated absences	\$	(72,337)
Net pension liability		(493,529)
Net OPEB obligation		(11,646)
<hr/>		
Net adjustment to reduce <i>fund balance - total governmental funds to arrive at net position-governmental activities</i>	\$	(577,512)
<hr/> <hr/>		

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balance includes a reconciliation between *net changes in fund balance – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense." The details of this \$(31,195) difference is as follows:

Capital outlay	\$	23,488
Depreciation / amortization expense		(54,683)
<hr/>		
Net adjustment to decrease <i>net changes in fund balance – total governmental funds to arrive at changes in net position of governmental activities</i>	\$	(31,195)
<hr/> <hr/>		

A. Deposits

At September 30, 2016, the District's carrying amount of deposits was \$5,114,768 and the bank balance was \$5,258,590. In addition, the District maintained \$100 of petty cash. As of September 30, 2016, \$250,000 of the District's bank balances is covered by the Federal Depository Insurance Corporation (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the District pursuant to Section 280.08, Florida Statutes.

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS

B. Investments

As of September 30, 2016, the District had the following investments and effective duration presented in terms of years:

Investment Type	Credit Rating	Fair Value	Investment Maturity (Year)		
			Less than 1	From 1-5	Over 6
Government-wide					
Certificates of Deposit	Unrated	\$ 6,062,747	\$ 6,062,747	\$ -	\$ -

Interest Rate Risk

The District’s investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. This policy is pursuant to Florida State Statute 218.415(6).

Credit Risk

The District’s investment policy pursuant to Florida State Statute 218.415 permits for investments in the Local Government Surplus Trust Fund, Securities and Exchange Commission registered money market funds with the highest credit rating quality from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified depositories and direct obligations of the United States Treasury.

Custodial Credit Risk

The District’s investment policy pursuant to Florida State Statutes 218.415(8) requires securities, with the exception of certificates of deposit, to be held with a third-party custodian; all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution.

A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits maintained by book-entry at the issuing bank shall clearly identify the District as the owner.

As of September 30, 2016, the District’s investments were held with a third-party custodian as required by the District’s investment policies.



**Sebastian Inlet District, Florida
Notes to Financial Statements**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

C. Property Taxes

The millage rate levied by the District for the fiscal year ended September 30, 2016, was 0.1069 mills. Tax collections for the District were approximately 98% of the total tax levy.

The District is permitted to levy ad valorem taxes on assessed valuation by State law. However, Chapter 74-430, Laws of Florida, a special act applicable only to governmental units in Brevard County, limits the annual increase to 10% of tax revenues of the preceding year (exclusive of new construction and improvements not appearing in the previous year's tax roll) without voter approval by referendum.

Lien date	-	January 1
Levy date	-	Prior to September 30
Due date	-	November 1
Delinquent date	-	April 1

All property taxes remaining unpaid at May 30 are subject to a tax certificate sale by the Tax Collector.

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated/amortized:				
Improvements other than buildings	\$ 37,970	\$ 8,039	\$ -	\$ 46,009
Equipment	115,451	8,962	-	124,413
Office furniture	13,233	-	-	13,233
Intangible assets – land easement and improvements	1,828,387	6,487	-	1,834,874
Total capital assets being depreciated/amortized	1,995,041	23,488	-	2,018,529
Less accumulated depreciation/amortization for:				
Improvements other than buildings	(22,959)	(3,244)	-	(26,203)
Equipment	(82,879)	(13,717)	-	(96,596)
Office furniture	(13,233)	-	-	(13,233)
Intangible assets – land easement and improvements	(172,231)	(37,722)	-	(209,953)
Total accumulated depreciation/amortization	(291,302)	(54,683)	-	(345,985)
Total capital assets, being depreciated/amortized, net	1,703,739	(31,195)	-	1,672,544
Governmental activities capital assets, net	\$ 1,703,739	\$ (31,195)	\$ -	\$ 1,672,544

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

Governmental activities:	
General government	\$ 2,741
Physical environment	51,942
Total depreciation and amortization expense - governmental activities	\$ 54,683

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

E. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 61,638	\$ 39,015	\$ (28,316)	\$ 72,337	\$ 17,923
Pension obligation	299,139	194,390	-	493,529	-
Net OPEB obligation	53,268	-	(41,622)	11,646	-
Long-term liabilities	\$ 414,045	\$ 233,405	\$ (69,938)	\$ 577,512	\$ 17,923

For the governmental activities, the other liability and compensated absences are generally liquidated by the general fund.

F. Operating Leases

The District's office facilities are leased under a two-year, non-cancelable operating lease which expired on September 30, 2016. The District leases office equipment under an operating lease which expires on January 29, 2019. The District also leases a boat slip under an operating lease which expires on August 31, 2017.

Minimum future rental payments under the non-cancelable operating leases as of September 30, 2016 are as follows:

Years ending September 30,	
2017	\$ 23,036
2018	2,460
2019	820
Total minimum lease payments	\$ 26,316

Total rent expense charged to operations in 2016 was \$23,083.

G. Self-Insurance Program

The District is a member of the Florida League of Cities (a not-for-profit corporation) self-insurance program for workers' compensation and general liability.

The self-insurance program purchases excess and specific coverage from third party insurance carriers. Members in the program are billed annually for their portion of the cost of the program. Members are not assessed for unanticipated losses incurred by the program. Premiums paid by the District during the year totaled \$9,619. In the past three years, there have been no claims settled exceeding the District's coverage. As of September 30, 2016, there are no outstanding claims.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

H. Pension Plan

The District established a defined contribution simplified employee pension plan ("SEP"), in the form of Self-Directed Individual Retirement Accounts, by action of the Commission on September 24, 1991. The District has no fiduciary responsibility for this plan.

Any full-time employee of the District who has attained age 21 and is employed by the District is eligible to participate in the pension plan of the District. Pension costs are comprised of current service costs, which are accrued and funded on a current basis. The contribution rate is equal to the difference between the Florida Retirement System ("FRS") contribution rate and 15% of eligible employee salaries, for a total contribution of 15% between the two plans. The 15% benefit is paid by the District. The 15% is split into a contribution to the FRS plan for the amount invoiced by the State. The remaining difference is sent to the SEP plan. Total eligible payroll for all employees was \$277,210 and all were covered by the plan at year end. For the year ended September 30, 2016, the District contributed \$9,314 to the SEP.

I. State of Florida Pension Plans

Defined Benefit Plans

The District participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

I. State of Florida Pension Plans (continued)

Benefits Provided

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The employer's contribution rates as of September 30, 2016, were as follows:

	FRS	HIS
Regular Class	5.86%	1.66%
Special Risk Class	20.91%	1.66%
Senior Management Service Class	20.11%	1.66%
Elected Officials	40.81%	1.66%
DROP from FRS	11.33%	1.66%

The employer's contributions for the year ended September 30, 2016, were \$38,856 to the FRS and \$4,603 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2016, the District reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2016. The District's proportions of the net pension liabilities were based on the District's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

I. State of Florida Pension Plans (continued)

Pension Liabilities and Pension Expense

	FRS	HIS
Net Pension Liability	\$ 389,554	\$ 103,975
Proportion at:		
Current measurement date	0.0015%	0.0009%
Prior measurement date	0.0016%	0.0009%
Pension expense	\$ 77,785	\$ 8,926

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 29,827	\$ (3,627)	\$ -	\$ (237)
Change of assumptions	23,567	-	16,316	-
Net difference between projected and actual earnings on pension plan investments	179,209	(78,514)	53	-
Changes in proportion and differences between District pension plan contributions and proportionate share of contributions	68,876	(8,441)	1,367	-
District pension plan contribution subsequent to the measurement date	10,524	-	1,156	-
Total	\$ 312,003	\$ (90,582)	\$ 18,892	\$ (237)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2017. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

I. State of Florida Pension Plans (continued)

Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Fiscal Year Ending September 30:	FRS	HIS
2017	\$ 39,451	\$ 3,191
2018	39,451	3,191
2019	78,571	3,191
2020	47,177	3,191
2021	5,368	2,578
Thereafter	879	2,157
	\$ 210,897	\$ 17,499

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2016, was determined by an actuarial valuation dated July 1, 2016, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.60%	N/A
Discount rate	7.60%	2.85%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2016 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2016:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.65% to 7.60%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.80% to 2.85%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

I. State of Florida Pension Plans (continued)

Actuarial Assumptions (continued)

assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation. The reduced investment return assumption of 7.60 percent, which was adopted by the Florida Retirement System Actuarial Assumption Conference, conflicts with the consulting actuary's judgment of a reasonable assumption as defined by Actuarial Standards of Practice No. 27.

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1.0%	3.0%	3.0%
Fixed income	18.0%	4.7%	4.6%
Global equity	53.0%	8.1%	6.8%
Real estate	10.0%	6.4%	5.8%
Private equity	6.0%	11.5%	7.8%
Strategic investments	12.0%	6.1%	5.6%
Total	100.0%		

Assumed Inflation - Mean 2.60%
(1) As outlined in the Pension Plan's investment policy

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.60%. FRS' 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 calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 2.85% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

**Sebastian Inlet District, Florida
Notes to Financial Statements**

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

I. State of Florida Pension Plans (continued)

Sensitivity Analysis (continued)

	FRS			HIS		
	Current Discount			Current Discount		
	1% Decrease	Rate	1% Increase	1% Decrease	Rate	1% Increase
September 30, 2016	6.60%	7.60%	8.60%	1.85%	2.85%	3.85%
District's proportionate share of the net pension liability	\$ 717,195	\$ 389,554	\$ 116,836	\$ 119,283	\$ 103,975	\$ 91,270

Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2016, totaled \$37,623.

J. Other Post-employment Benefits

The District follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*, for certain post-employment healthcare benefits provided by the District.

Plan description. The District participates in the Brevard County, Florida ("County") healthcare plan. The Brevard County Board of County Commissioners ("Board") administers a single-employer defined benefit healthcare plan (the "Plan") that provides healthcare benefits including medical coverage and prescription drug benefits to its employees and their eligible dependents.

Pursuant to Section 112.0801 Florida Statutes, the District is required to provide eligible retirees (as defined in the County's pension plan) the opportunity to participate in this Plan at the same cost that is applicable to active employees.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

J. Other Post-employment Benefits (continued)

Employees who are active participants in the Plan at the time of retirement and are either age 62 with completion of six years of service or have 30 years of service are eligible to receive benefits. The District accounts for 3 active participants. There are no retirees of the District (or spouses of retirees) receiving benefits under the Plan. Of the total, none are eligible to receive benefits.

Benefit provisions can only be amended by the Board. On at least an annual basis, and prior to the enrollment process, the Board approves the rates for the coming year for the retiree, employee and County contributions. Neither the County nor the District has established a trust or agency fund for the Plan. Neither the County nor District issues stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the District's basic financial statements.

Funding The District is funding the Plan on a pay-as-you-go basis. The maximum employer contribution target is 56% of the annual premium cost of the Plan. The annual premium costs are between \$5,412 and \$8,616 for retirees and spouses under age 65 and between \$1,872 and \$6,756 for retirees and spouses over age 65. Employees hired prior to January 1, 2006 are eligible to receive 100% of the earned percentage of benefits for their lifetime upon attainment of age 62 and completion of six years of service or upon completing 30 years of service, if earlier. Employees hired on or after January 1, 2006 are eligible to receive a graduated earned percentage of benefits upon retirement based on years of service.

For the year ended September 30, 2016, the portion of contribution attributed to the District is \$8,175 which includes both an estimate of the implied subsidy described above and the explicit subsidy paid on behalf of eligible retirees.

Annual OPEB cost and net OPEB obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (the "ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year ended September 30, 2016, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

J. Other Post-employment Benefits (continued)

Annual required contribution	\$	821
Interest on net OPEB obligation		126
Adjustment to annual required contribution		(483)
<hr/>		
Annual OPEB cost (expense)		464
Contributions made		(1,398)
Change in estimated employer portion		(40,688)
<hr/>		
Decrease in net OPEB obligation		(41,622)
Net OPEB obligation – beginning of year		53,268
<hr/>		
Net OPEB obligation – end of year	\$	11,646
<hr/>		

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years ending September 30, 2016 was as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2016	\$ 464	301%	\$ 11,646
September 30, 2015	\$ 3,486	235%	\$ 53,268
September 30, 2014	\$ 12,074	61%	\$ 57,957

Funded status and funding progress. Because the Plan has more than 200 members, the Board is required to obtain an actuarial valuation at least every two years. The most recent actuarial valuation was performed as of October 1, 2016. Accordingly, the Board will be required to obtain a subsequent actuarial valuation within two years of that date. As of the October 1, 2016 valuation, the actuarial accrued liability for benefits for the District was \$10,004, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$277,210, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 3.61%.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be, deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress is presented as required supplementary information following the notes to the financial statements and presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

J. Other Post-employment Benefits (continued)

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

In the October 1, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 1.00% investment rate of return and an annual healthcare cost trend rate of 7.00% initially, reduced by decrements to an ultimate rate of 5.00% after seven years. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The UAAL is being amortized using a level-percentage of compensation over a maximum allowable period of 30 years.

K. Commitments

The District had contractual commitments at September 30, 2016, of approximately \$181,787 for various projects at the Inlet. Future appropriations will fund these commitments as work is performed.

L. Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in 2017. The statements address:

- Certain pension issues;
- Other postemployment benefit (OPEB) plans;
- Tax abatement disclosures; and
- Blending certain component units.

The District is currently evaluating the effects that these statements will have on its 2017 financial statements.

M. Subsequent Events

Hurricane Matthew caused damage to the Inlet in October 2016. The District estimates approximately \$500,000 will need to be spent on shoreline repairs that will not be covered by grants. Additional beach fill requirements caused by Hurricane Matthew will be covered by a grant from DEP that was signed in February 2017 for \$1,266,368.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Sebastian Inlet District, Florida
Schedule of Proportionate Share of Net Pension Liability
Last Two Years

Florida Retirement System (FRS)

	2016	2015
Contractually required contribution	\$ 38,856	\$ 39,346
Contributions in relation to the contractually required contribution	(38,856)	(39,346)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 277,210	\$ 270,853
Contributions as a percentage of covered-employee payroll	14.02%	14.53%

Health Insurance Subsidy (HIS)

	2016	2015
Contractually required contribution	\$ 4,603	\$ 3,399
Contributions in relation to the contractually required contribution	(4,603)	(3,399)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 277,210	\$ 270,853
Contributions as a percentage of covered-employee payroll	1.66%	1.25%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only the year for which information is available.

Sebastian Inlet District, Florida
Schedule of Contributions
Last Two Years

Florida Retirement System (FRS)

	2016	2015
Contractually required contribution	\$ 38,856	\$ 39,346
Contributions in relation to the contractually required contribution	(38,856)	(39,346)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 277,210	\$ 270,853
Contributions as a percentage of covered-employee payroll	14.02%	14.53%

Health Insurance Subsidy (HIS)

	2016	2015
Contractually required contribution	\$ 4,603	\$ 3,399
Contributions in relation to the contractually required contribution	(4,603)	(3,399)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 277,210	\$ 270,853
Contributions as a percentage of covered-employee payroll	1.66%	1.25%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only the year for which information is available.

Sebastian Inlet District, Florida

**Required Other Postemployment Benefits Supplementary Information –
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2015	\$ -	\$ 10,004	\$ 10,004	0.0%	\$ 277,210	3.61%
10/1/2013	\$ -	\$ 80,993	\$ 80,993	0.0%	\$ 245,915	32.94%
10/1/2011	\$ -	\$ 208,608	\$ 208,608	0.0%	\$ 223,642	93.28%

The accompanying notes to required supplementary information are an integral part of this financial schedule.

Sebastian Inlet District, Florida

**Schedule of Revenues, Expenditures, and Changes in General Fund Balances -
Budget and Actual**

<i>Year ended September 30, 2016</i>	Original Budget	Final Budget	Actual (Budgetary Basis - See Note C)	Variance with Final Budget Positive (Negative)
Revenues				
Taxes:				
Brevard County	\$ 1,605,359	\$ 1,605,359	\$ 1,564,358	\$ (41,001)
Indian River County	427,046	427,046	417,552	(9,494)
Intergovernmental	116,692	116,692	90,489	(26,203)
Interest and other	16,000	16,000	13,698	(2,302)
Total revenues	2,165,097	2,165,097	2,086,097	(79,000)
Expenditures				
Current:				
General government	691,100	691,100	596,433	94,667
Physical environment	9,108,997	9,132,485	685,612	8,446,873
Total expenditures	9,800,097	9,823,585	1,282,045	8,541,540
Excess (deficiency) of revenues over (under) expenditures	(7,635,000)	(7,658,488)	804,052	8,462,540
Fund balances, beginning of year	10,354,722	10,354,722	10,354,722	-
Fund balances, end of year	\$ 2,719,722	\$ 2,696,234	\$ 11,158,774	\$ 8,462,540

The accompanying notes to required supplementary information are an integral part of this financial schedule.

Sebastian Inlet District, Florida
Notes to Required Supplementary Information

A. Budgetary Information

The District Commissioners adopt an annual operating budget prior to September 30 for the next ensuing fiscal year. Legal budgets are adopted by resolution for the General Fund. The budget is prepared on a modified accrual basis with encumbrance accounting, which is consistent with accounting principles generally accepted in the United States of America.

Budgetary control is legally maintained at a department level. Budget transfer District is provided to the District Administrator within categories, i.e. general government and physical environment, as long as the total budget of the categories is not increased. Actions which increase the total budget of a category must be authorized by the District Commissioners.

All appropriations which are not expended, encumbered or committed lapse at year end. Encumbered appropriations are carried forward to the subsequent year's budget.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are carried forward to the following year's budget and are reported as a reservation of fund balance in the governmental fund financial statements since they do not constitute actual expenditures or liabilities.

Actual results of operations are presented in accordance with generally accepted accounting principles (GAAP basis). The District's accounting policies do not recognize encumbrances as expenditures until the period in which the actual goods or services are received and a liability is incurred. It is necessary to include budgetary encumbrances to reflect actual revenues and expenditures on a basis consistent with the District's legally adopted budget.

C. Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

The accompanying schedule of revenues, expenditures and changes in general fund balance - budget and actual, presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, timing, perspective, and entry differences in the net changes in fund balance for the year ended September 30, 2016, is presented below:

Net change in fund balance – budgetary basis	\$	804,052
Differences – budget to GAAP:		
Outstanding encumbrances		214,045
Prior year encumbrances completed		(299,020)
<u>Net change in fund balance – GAAP basis</u>	<u>\$</u>	<u>719,077</u>

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**ADDITIONAL ELEMENTS REQUIRED BY *GOVERNMENT AUDITING*
STANDARDS AND THE RULES OF THE AUDITOR GENERAL**

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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 District Commissioners
Sebastian Inlet District, Florida

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Sebastian Inlet District, Florida, as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sebastian Inlet District, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sebastian Inlet District, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sebastian Inlet District, Florida'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sebastian Inlet District, Florida's financial statements are free from material misstatement, we performed tests of its compliance with

certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida

February 22, 2017



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INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the District Commissioners
Sebastian Inlet District, Florida

Report on the Financial Statements

We have audited the financial statements of the Sebastian Inlet District, Florida as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated February 22, 2017.

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.

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on Compliance with Local Government Investment Policies on an examination conducted in accordance with *AICPA Professional Standards*, Section 601. Disclosures in those reports, which are dated February 22, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition

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

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

Annual Financial Report

Section 10.554(l)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Sebastian Inlet District, Florida for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

Section 10.554(l)(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 state granting agencies, applicable management and the Sebastian Inlet District, Florida's Commissioners, and is not intended to be and should not be used by anyone other than these specified parties.

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

Melbourne, Florida
February 22, 2017



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

To the District Commissioners
Sebastian Inlet District, Florida
Indianapolis, Florida

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

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

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

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

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

Melbourne, Florida
February 22, 2017