



Sebastian Inlet District

FINANCIAL STATEMENTS

Year Ended September 30, 2015



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Sebastian Inlet District, Florida
Table of Contents
As of September 30, 2015

Introductory Section

Title Page	1
Table of Contents	2
District Commissioners	3

Financial Section

Independent Auditors’ Report	5
Management’s Discussion and Analysis	9

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Fund	
Balance Sheet	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	21
Notes to Financial Statements	23

Required Supplementary Information Other Than Management’s Discussion and Analysis

Schedule of Proportionate Share of Net Pension Liability – Last Year	47
Schedule of Contributions – Last Year	48
Required Other Postemployment Benefits Supplementary Information – Schedule of Funding Progress	49
Schedule of Revenues, Expenditures, and Changes in General Fund Balances – Budget and Actual	50
Notes to Required Supplementary Information	51

Additional Elements Required by *Government Auditing Standards* and The Rules of the Auditor General

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 <i>Government Auditing Standards</i>	55
Independent Auditors’ Report on Compliance for Each Major State Project and Report on Internal Control Over Compliance Required by Chapter 10.550, Rules of the Auditor General	57
Schedule of Findings and Questioned Costs	59
Schedule of Expenditures of State Financial Assistance	60
Independent Auditors’ Management Letter	61
Independent Accountants’ Report on Compliance with Local Government Investment Policies	63



**Sebastian Inlet District, Florida
District Commissioners
As of September 30, 2015**

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 D. 10 and Note 5 to the financial statements, the District implemented the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions: An Amendment of FASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the required budgetary comparison information and the postemployment benefits and net pension liability supplementary information on pages 9 – 13 and pages 47 – 51, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of state financial assistance, as required by Chapter 10.550, Rules of the Auditor General and other information such as the introductory section are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state

financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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.

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

Melbourne, Florida

May 8, 2016

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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, 2015. 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, 2015:

- The District's total assets exceeded its liabilities at September 30, 2015 by \$11,733,354. Of this amount, \$10,029,615 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased \$2,747,345; an increase of approximately 30.6% from the previous year's ending balance. The net increase can be explained as follows: a) \$1,947,746 received from property taxes levied during the current year, b) \$16,761 of investment income and c) \$3,048,625 of operating grants and contributions. These revenues were offset by 1.) \$2,265,787 of expenses for general operations, channel maintenance, mitigation activities required for permitting and sand transfer studies as well as expenses related to the Sand Trap Dredging and Bypassing Project, the South Shoreline Rehabilitation Project and post-Hurricane Sandy Restoration Project.
- The District recorded a prior period adjustment of \$210,629 to record the net pension liability required by adopting GASB 68, *Accounting and Financial Reporting for Pensions*.
- As of September 30, 2015, the District's governmental funds reported an ending fund balance of \$10,354,722, an increase of \$2,797,854 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)

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 17 and 18 of this report.
3. During fiscal year 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This pronouncement required the restatement of the September 30, 2014 net position in the governmental fund. This change is in accordance with generally accepted accounting principles.

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 19 through 21 of this report. The budget comparison can be found on pages 50 through 51.

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 23 through 43 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 \$11,733,354 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>		2015	2014
Current and other assets	\$	10,394,019	\$ 7,703,585
Capital assets		1,703,739	1,754,071
Total assets		12,097,758	9,457,656
Deferred outflows		217,075	-
Other liabilities		39,297	146,717
Noncurrent liabilities		414,045	114,301
Total liabilities		453,342	261,018
Deferred inflows		128,137	-
Net position:			
Net investment in capital assets		1,703,739	1,754,071
Unrestricted		10,029,615	7,442,567
Total net position	\$	11,733,354	\$ 9,196,638

An increase of \$2,640,102 in total assets is attributed primarily to an increase in cash of \$2,698,965 and a decrease in "due from other governments" of \$11,022. Total liabilities increased by \$192,324. This was caused by accounts payable decreasing by \$107,941, 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 299,139, due to the implementation of GASB 68. The increase in deferred outflows of \$217,075 and deferred inflows of \$128,137 was due to the implementation of GASB 68. Net position increased \$2,747,345 due mainly to operating grants and contributions of approximately \$3 million related to the Maintenance Dredging and Sand Trap Expansion project.

Governmental Activities

Governmental activities changed the District's net position by \$2,747,345 and (\$2,502,797) for the years ended September 30, 2015 and 2014, respectively, as reflected in the table below:

Sebastian Inlet District, Florida Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Sebastian Inlet District</u> <u>Statement of Activities</u>	
	2015	2014
Revenues		
Program revenues:		
Operating grants and contributions	\$ 3,048,625	\$ 279,719
General revenues:		
Property taxes	1,947,746	1,834,053
Unrestricted investment earnings	16,761	16,967
Total revenues	5,013,132	2,130,739
Expenses		
General government	574,692	559,887
Physical environment	1,691,095	4,073,649
Total expenses	2,265,787	4,633,536
Change in net position	2,747,345	(2,502,797)
Net position, beginning	9,196,638	11,699,435
Prior period adjustment (see Note 1 D. 10)	(210,629)	-
Net position, beginning as restated	8,986,009	-
Net position, ending	\$ 11,733,354	\$ 9,196,638

For FY 14-15, the Sebastian Inlet District, Florida kept its millage rate the same (.1124) for the eighth consecutive fiscal year, which reflects a 4.17% increase in the rollback rate of 0.1079. For FY13-14, the millage rate of .1124 was a 3.21% increase in the rolled back rate of .1089. For FY 12-13, the millage rate was a 2.18% decrease in the rollback rate of 0.1149. An increase of \$2,882,393 in total revenues is primarily a result of the increase in operating grants.

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 \$14,805. Physical environment expenditures decreased by \$2,382,554 due to the completion of the Sand Trap Dredging and Bypassing project and 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 \$10,354,722, an increase of \$2,797,854 as compared to the total balance on October 1, 2014. The change in fund balance is a result of the completion of the Sand Trap Dredging and Bypassing project.

CAPITAL ASSETS

The District's capital assets, less accumulated depreciation and amortization, for its governmental activities as of September 30, 2015 amounts to \$1,703,739, and consists of improvements other than buildings, equipment, office furniture, and intangible assets. The current year decrease of \$50,332 relates primarily to the depreciation and amortization expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

Intergovernmental revenues did not meet budgeted expectations, primarily due to the time frame between state-approved deliverables and state cost-share reimbursements.

Physical environment expenditures did not meet budgeted expectations mainly due to the District's large Sand Trap Expansion project costing well below original budgeted expectations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Revenues for the fiscal year 2015-2016 adopted budget for all funds of the District total \$12,800,097, which includes funds carried forward from the previous year, and is a 22% increase from the prior year's amended budget. Tax revenues for the fiscal year 2015-2016 adopted budget for the District total \$2,032,405, a 1.5% increase from the prior year's budgeted tax revenues. The District commissioners approved the millage rate for the fiscal year 2015-2016 of .1069 mills which is the rolled-back rate.

Expenditures for the fiscal year 2015-2016 adopted budget for all funds of the District are projected for the sand transfer system, sand trap dredging, maintenance of channel, storm management 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, 2015</i>	Primary Government
ASSETS	
Cash and cash equivalents	\$ 4,326,239
Investments	6,051,393
Due from other governments	13,777
Prepaid items	2,610
Capital assets:	
Depreciable, net of accumulated depreciation / amortization	
Improvements other than buildings	15,011
Equipment	32,572
Intangible assets	1,656,156
Total assets	12,097,758
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pension	217,075
Total deferred outflows of resources	217,075
LIABILITIES	
Accounts payable	38,776
Accrued expense	521
Noncurrent liabilities:	
Due within one year:	
Compensated absences, current portion	23,504
Due in more than one year:	
Compensated absences, less current portion	38,134
Net pension liability	299,139
Net OPEB obligation	53,268
Total liabilities	453,342
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - pension	128,137
Total deferred inflows of resources	128,137
NET POSITION	
Net investment in capital assets	1,703,739
Unrestricted	10,029,615
Total net position	\$ 11,733,354

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

Sebastian Inlet District, Florida
Statement of Activities

<i>Year ended September 30, 2015</i>						Primary Government
Functions/Programs	Expenses	Program Revenues			Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
General government	\$ 574,692	\$ -	\$ -	\$ -	\$ (574,692)	
Physical environment	1,691,095	-	3,048,625	-	1,357,530	
Total governmental activities	\$ 2,265,787	\$ -	\$ 3,048,625	\$ -	782,838	
General revenues						
Property taxes					1,947,746	
Unrestricted investment earnings					16,761	
Total general revenues					1,964,507	
Change in net position					2,747,345	
Net position, beginning of year as previously reported					9,196,638	
Prior period adjustment (see Note 5)					(210,629)	
Net position, beginning of year as restated					8,986,009	
Net position, end of year					\$ 11,733,354	

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

Sebastian Inlet District, Florida
Balance Sheet – Governmental Fund

<i>September 30, 2015</i>	General	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 4,326,239	\$ 4,326,239
Investments	6,051,393	6,051,393
Due from other governments	13,777	13,777
Prepaid items	2,610	2,610
Total assets	\$ 10,394,019	\$ 10,394,019
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 38,776	\$ 38,776
Accrued expenses	521	521
Total liabilities	39,297	39,297
Fund balances:		
Nonspendable:		
Prepaid items	2,610	2,610
Assigned:		
Legal counsel	46,000	46,000
Engineering	125,000	125,000
Sand transfer system	130,039	130,039
Sand trap dredging	6,288,902	6,288,902
Maintenance of channel	189,800	189,800
Construction programs	455,000	455,000
Subsequent year's budget deficit	2,445,373	2,445,373
Unassigned	671,998	671,998
Total fund balances	10,354,722	10,354,722
Total liabilities and fund balances	\$ 10,394,019	
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.		1,703,739
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.		217,075
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.		(128,137)
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		(414,045)
Net position of governmental activities		\$ 11,733,354

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, 2015</i>	General	Total Governmental Fund
Revenues		
Taxes:		
Brevard County	\$ 1,538,110	\$ 1,538,110
Indian River County	409,636	409,636
Intergovernmental	3,048,625	3,048,625
Interest	16,761	16,761
Total revenues	5,013,132	5,013,132
Expenditures		
Current:		
General government	571,763	571,763
Physical environment	1,640,000	1,640,000
Capital outlay	3,515	3,515
Total expenditures	2,215,278	2,215,278
Excess of revenues over expenditures	2,797,854	2,797,854
Fund balance, beginning of year	7,556,868	7,556,868
Fund balance, end of year	\$ 10,354,722	\$ 10,354,722

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, 2015

Net change in fund balances - total governmental funds	\$ 2,797,854
<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>	(50,332)
<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>	4,689
<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>	428
<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>	(5,294)
Change in net position of governmental activities	\$ 2,747,345

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 stated at fair value.

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 \$217,075 and deferred inflows of resources related to pensions were \$128,137 for the year ended September 30, 2015. 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.

10. Accounting changes

The District has implemented No. 68, *Accounting and Financial Reporting for Pensions*, which amends or supersedes the Accounting for Pensions by State and Local Governmental Employers. The statement requires the government to record either a net pension liability or a net pension asset for defined benefit pension plans, and to record a pension asset or liability retrospectively, so a prior period adjustment of \$210,629 was recorded for the net pension liability as of September 30, 2014. See Note 5.

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 51.

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 \$(414,045) difference are as follows:

Compensated absences	\$	(61,638)
Net pension liability		(299,139)
Net OPEB obligation		(53,268)
<hr/>		
Net adjustment to reduce <i>fund balance - total governmental funds to arrive at net position-governmental activities</i>	\$	(414,045)
<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 \$(50,332) difference are as follows:

Capital outlay	\$	3,515
Depreciation / amortization expense		(53,847)
<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>	\$	(50,332)
<hr/> <hr/>		

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Deposits

At September 30, 2015, the District's carrying amount of deposits was \$4,326,139 and the bank balance was \$4,382,763. In addition, the District maintained \$100 of petty cash. As of September 30, 2015, \$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.

B. Investments

As of September 30, 2015, 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	\$ 6,051,393	\$ 6,051,393	\$ -	\$ -

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.

Sebastian Inlet District, Florida Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

B. Investments (continued)

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, 2015, the District's investments were held with a third-party custodian as required by the District's investment policies.

C. Property Taxes

The millage rate levied by the District for the fiscal year ended September 30, 2015, was 0.1124 mills. Tax collections for the District were approximately 97% 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, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated/amortized:				
Improvements other than buildings	\$ 34,455	\$ 3,515	\$ -	\$ 37,970
Equipment	115,451	-	-	115,451
Office furniture	13,233	-	-	13,233
Intangible assets – land easement and improvements	1,828,387	-	-	1,828,387
Total capital assets being depreciated/amortized	1,991,526	3,515	-	1,995,041
Less accumulated depreciation/amortization for:				
Improvements other than buildings	(19,853)	(3,106)	-	(22,959)
Equipment	(69,867)	(13,012)	-	(82,879)
Office furniture	(13,222)	(11)	-	(13,233)
Intangible assets – land easement and improvements	(134,513)	(37,718)	-	(172,231)
Total accumulated depreciation/amortization	(237,455)	(53,847)	-	(291,302)
Total capital assets, being depreciated/amortized, net	1,754,071	(50,332)	-	1,703,739
Governmental activities capital assets, net	\$ 1,754,071	\$ (50,332)	\$ -	\$ 1,703,739

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

Governmental activities:	
General government	\$ 2,752
Physical environment	51,095
Total depreciation and amortization expense - governmental activities	\$ 53,847

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, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 56,344	\$ 37,308	\$ (32,014)	\$ 61,638	\$ 23,504
Pension obligation	173,459	125,680	-	299,139	3,300
Net OPEB obligation	57,957	-	(4,689)	53,268	-
Long-term liabilities	\$ 287,760	\$ 162,988	\$ (36,703)	\$ 414,045	\$ 26,804

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 expires 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 expired on December 31, 2014 and continued month to month until it was renewed on August 24, 2015 for one year expiring August 31, 2016.

Minimum future rental payments under the non-cancelable operating leases as of September 30, 2015 are as follows:

Years ending September 30,	
2016	\$ 22,767
2017	2,460
2018	2,460
2019	820
Total minimum lease payments	\$ 28,507

Total rent expense charged to operations in 2015 was \$23,044.

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.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

G. Self-Insurance Program (continued)

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 \$9,389. In the past three years, there have been no claims settled exceeding the District's coverage. As of September 30, 2015, there are no outstanding claims.

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 \$252,853 and all were covered by the plan at year end. For the year ended September 30, 2015, the District contributed \$9,133 to the SEP.

I. Retirement Plan

Retirement System:

General Information - The District participates in the Florida Retirement System (the "System"). Generally, membership is compulsory for all full-time and part-time employees hired prior to January 1, 1996 and all commissioners. The employer paid all contributions through June 30, 2011. Effective July 1, 2011, employees were required to contribute 3% of gross salary. 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, District 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.

NOTE 4: DETAIL NOTES (Continued)

I. Retirement Plan (continued)

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, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

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. For Pension Plan members enrolled before July 1, 2011, Regular 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 1.6% 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. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. 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.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members 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, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

NOTE 4: DETAIL NOTES (Continued)

I. Retirement Plan (continued)

As provided in Section 121.101, Florida Statutes, if the member is 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 is 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 a 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. Employer contribution rates ranged from 7.26% to 42.27% effective July 1, 2015 through September 30, 2015; from 7.37% to 43.24% effective July 1, 2014 through June 30, 2015. The amount of covered payroll for the year ended September 30, 2015 was \$270,853. The District's contributions to the System for the year ended September 30, 2015 was \$44,915.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the District reported a liability of \$208,444 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was .0016 percent, which was an increase of .0001 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the District recognized pension expense of \$34,852. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAIL NOTES (Continued)

I. Retirement Plan (continued)

<u>September 30, 2015</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,006	\$ 4,944
Change of assumptions	13,835	-
Net difference between projected and actual earnings on Pension Plan investments	73,420	123,193
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	88,825	-
District Pension Plan contributions subsequent to the measurement date	9,291	-
Total	\$ 207,377	\$ 128,137

The deferred outflows of resources related to the Pension Plan, totaling \$9,291 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as an increase in net pension liability in the fiscal year ended September 30, 2016. 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
2016	\$ 10,145
2017	10,145
2018	10,145
2019	10,145
2020	22,587
Thereafter	6,782

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAIL NOTES (Continued)

I. Retirement Plan (continued)

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		2.00%

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

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. 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 calculating the total pension liability is equal to the long-term expected rate of return.

NOTE 4: DETAIL NOTES (Continued)

I. Retirement Plan (continued)

Sensitivity of the District’s Proportionate Share 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 at September 30, 2015 using the discount rate of 7.65%, 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 (6.65%) or one percentage point higher (8.65%) than the current rate:

FRS	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
September 30, 2015			
District's proportionate share of the net pension liability	\$ 540,126	\$ 208,444	\$ (67,570)

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.

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, 2015, 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.

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, 2015, the HIS contribution for the period July 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.26% and 1.66%, respectively.

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAIL NOTES (Continued)

I. Retirement Plan (continued)

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 \$3,399 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the District reported a liability of \$90,695 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members.

At June 30, 2015, the District's proportionate share was .0009 percent, which is the same as its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the District recognized pension expense of \$7,007. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

September 30, 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	7,135	-
Net difference between projected and actual earnings on HIS Plan investments	49	-
Changes in proportion and differences between District HIS Plan contributions and proportionate share of contributions	1,388	-
District HIS Plan contributions subsequent to the measurement date	1,126	-
Total	\$ 9,698	\$ -

NOTE 4: DETAIL NOTES (Continued)

I. Retirement Plan (continued)

The deferred outflows of resources related to the HIS Plan, totaling \$1,126 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, 2016. 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:	Amount
2016	\$ 1,387
2017	1,387
2018	1,387
2019	1,387
2020	1,376
Thereafter	1,648

Actuarial Assumptions – The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	4.29 %

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 4.29%. 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.

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAIL NOTES (Continued)

I. Retirement Plan (continued)

Sensitivity of the District's Proportionate Share 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 at September 30, 2015 using the discount rate of 4.29%, 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 (3.29%) or one percentage point higher (5.29%) than the current rate:

HIS	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
September 30, 2015			
District's proportionate share of			
the net pension liability	\$ 103,343	\$ 90,695	\$ 80,149

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.

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.

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.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

J. Other Post-employment 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 policy. 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 \$8,909 and \$15,255 for retirees and spouses under age 65 and between \$5,503 and \$9,207 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, 2015, 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, 2015, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$	5,000
Interest on net OPEB obligation		533
Adjustment to annual required contribution		(2,047)
<hr/>		
Annual OPEB cost (expense)		3,486
Contributions made		(8,175)
<hr/>		
Decrease in net OPEB obligation		(4,689)
Net OPEB obligation – beginning of year		57,957
<hr/>		
Net OPEB obligation – end of year	\$	<u>53,268</u>

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

J. Other Post-employment Benefits (continued)

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, 2015 was as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2015	\$ 3,486	235%	\$ 53,268
September 30, 2014	\$ 12,074	61%	\$ 57,957
September 30, 2013	\$ 11,974	60%	\$ 53,288

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, 2013. Accordingly, the Board will be required to obtain a subsequent actuarial valuation within two years of that date. As of the October 1, 2013 valuation, the actuarial accrued liability for benefits for the District was \$80,993, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$245,915, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 32.94%.

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.

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.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

J. Other Post-employment Benefits (continued)

In the October 1, 2013 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, 2015, of approximately \$606,724 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 2016. The statements address:

- Fair value measurement and application; and
- GAAP hierarchy.

The District is currently evaluating the effects that these statements will have on its 2016 financial statements.

NOTE 5: CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends or supersedes the Accounting for Pensions by State and Local Governmental Employers. The statement required the restatement of the September 30, 2014 net position in the governmental fund to record the net position liability related to the Florida Retirement System. This change is in accordance with generally accepted accounting principles.

	Governmental Activities
Net position, September 30, 2014, as previously reported	\$ 9,196,638
FRS Net Pension Liability Adjustment	(132,955)
HIS Net Pension Liability Adjustment	(77,674)
Net position, September 30, 2014, as restated	\$ 8,986,009

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**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 Year

Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System (FRS)
Last Fiscal Year

Florida Retirement System (FRS)*

	2015
District's proportion of the net pension liability	0.0016%
District's proportionate share of the net pension liability	\$ 208,444
District's covered-employee payroll	\$ 270,853
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.96%
Plan fiduciary net position as a percentage of the total pension liability	92.00%

Health Insurance Subsidy (HIS)*

	2015
District's proportion of the net pension liability	0.0009%
District's proportionate share of the net pension liability	\$ 90,695
District's covered-employee payroll	\$ 270,853
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.48%
Plan fiduciary net position as a percentage of the total pension liability	92.00%

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

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.

Note 2: The Plan's fiduciary net position as a percentage of the total pension liability is published in Note 3K of the Plan's Comprehensive Annual Financial Report.

**Sebastian Inlet District, Florida
Schedule of Contributions
Last Year**

Schedule of Contributions

Florida Retirement System (FRS)*

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

Health Insurance Subsidy (HIS)*

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

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

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)
10/1/2013	\$ -	\$ 80,993	\$ 80,993	0.0%	\$ 245,915	32.94%
10/1/2011	\$ -	\$ 208,608	\$ 208,608	0.0%	\$ 223,642	93.28%
10/1/2009	\$ -	\$ 96,037	\$ 96,037	0.0%	\$ 206,762	46.45%

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, 2015</i>	Original Budget	Final Budget	Actual (Budgetary Basis - See Note C)	Variance with Final Budget Positive (Negative)
Revenues				
Taxes:				
Brevard County	\$ 1,582,401	\$ 1,582,401	\$ 1,538,110	\$ (44,291)
Indian River County	419,609	419,609	409,636	(9,973)
Intergovernmental	1,860,969	1,860,969	3,048,625	1,187,656
Interest and other	20,000	20,000	16,761	(3,239)
Total revenues	3,882,979	3,882,979	5,013,132	1,130,153
Expenditures				
Current:				
General government	678,608	678,608	571,763	106,845
Physical environment	6,839,371	6,839,371	1,557,709	5,281,662
Total expenditures	7,517,979	7,517,979	2,129,472	5,388,507
Excess (deficiency) of revenues over (under) expenditures	(3,635,000)	(3,635,000)	2,883,660	6,518,660
Fund balances, beginning of year	7,556,868	7,556,868	7,556,868	-
Fund balances, end of year	\$ 3,921,868	\$ 3,921,868	\$ 10,440,528	\$ 6,518,660

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, 2015, is presented below:

Net change in fund balance – budgetary basis	\$ 2,883,660
Differences – budget to GAAP:	
Outstanding encumbrances	299,020
Prior year encumbrances completed	(384,826)
<u>Net change in fund balance – GAAP basis</u>	<u>\$ 2,797,854</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, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 8, 2016.

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
May 8, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the District Commissioners
Sebastian Inlet District, Florida, Florida

Report on Compliance for Each Major State Project

We have audited the Sebastian Inlet District, Florida's compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Sebastian Inlet District, Florida's major State projects for the year ended September 30, 2015. The Sebastian Inlet District, Florida's major State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Sebastian Inlet District, Florida's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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. Those standards and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Sebastian Inlet District, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of the Sebastian Inlet District, Florida's compliance.

Opinion on Each Major State Project

In our opinion, the Sebastian Inlet District, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the Sebastian Inlet District, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sebastian Inlet District, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Sebastian Inlet District, Florida's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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

Melbourne, Florida

May 8, 2016

Sebastian Inlet District, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2015

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

State Awards

Internal control over major state projects:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported

Type of auditors' report issued on compliance for major state projects: Unmodified

Identification of major state project:

<u>State CSFA Numbers</u>	<u>State Project or Cluster</u>
37.003	Beach Erosion Control Program

Dollar threshold used to distinguish between type A and B programs was \$300,000 for major state projects.

Sebastian Inlet District, Florida
Schedule of Expenditures of State Financial Assistance
Fiscal Year Ended September 30, 2015

State Agency/ Pass-through Grantor/ Program Title	CSFA Number	Grant or Contract Number	Expenditures
State Project:			
<u>Florida Department of Environmental Protection</u>			
Direct Project:			
Beach Erosion Control Program	37.003	081R1	\$ 2,501,917
Beach Erosion Control Program	37.003	14IR1	494,058
<u>Total Expenditures of State Financial Assistance</u>			<u>\$ 2,995,975</u>

Note: The Schedule of Expenditures of State Financial Assistance is a summary of the activity of the District's State projects presented on the accrual basis of accounting in accordance with generally accepted accounting principles.



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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, 2015, and have issued our report thereon dated May 8, 2016.

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 Florida Auditor General.

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, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports, which are dated May 8, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal District

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., Rules of the Auditor General, requires that we 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., Rules of the Auditor General, requires that we 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, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

Section 10.554(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
May 8, 2016



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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, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

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

Melbourne, Florida
May 8, 2016