

**MERRITT ISLAND
PUBLIC LIBRARY DISTRICT**

Basic Financial Statements

**Year ended
September 30, 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Merritt Island Public Library District
Merritt Island, Florida

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of Merritt Island Public Library District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Merritt Island Public Library District, as of September 30, 2016, and the respective

changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of the District's proportionate share of the net pension liability and of its contributions on pages 5-6 and 26-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 an opinion on the financial statements of the District as a whole. The accompanying Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Governmental Fund, for the year ended September 30, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Governmental Fund, for the year ended September 30, 2016 is fairly stated in all material respects in relation to the basic financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2017, on our consideration of the Merritt Island Public Library 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 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 Merritt Island Public Library District's internal control over financial reporting and compliance.

Soles, Heyn & Company

Soles, Heyn & Company, LLP
West Palm Beach, Florida
June 19, 2017

Management's Discussion and Analysis

As management of the Merritt Island Public Library District (the "District" or "Library"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2016 to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, and (d) identify material deviations from the approved budget.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements found on pages 8-9.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,875,377 (net positions).
- Of the \$1,875,377 reported as net positions, \$1,521,449 represented investments in capital assets (net of accumulated depreciation) and \$253,928 represented unrestricted and \$100,000 restricted new assets.

Overview of the Financial Statements

The Merritt Island Public Library District's (the "District") discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues and activities, and to identify any significant changes in financial position, (2) provide an overview of the Library's financial activity, (3) identify changes in the Library's financial position (its ability to address the next and subsequent years' challenges). and (4) identify issues or concerns. This discussion and analysis is intended to serve as an introduction to the District's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the District is comprised of a single general fund, no fund level financial statements are shown. This financial report also contains the following items to enhance the readers understanding of the financial data:

- Supplemental information concerning the Library's Schedule of Revenues and Expenses - Budget and Actual - General Fund.
- Notes to the financial statements which convey a full understanding of the District's financial statement data.
- Required supplemental information concerning the District's proportionate share of the net pension liability and required contributions for the cost-sharing defined-benefit pension plans in which it participates.

Overview of the Financial Statements

Government-wide financial statements. The government-wide and fund financial statements are combined for this report, as all activities of the District are governmental activities and the District is deemed to be a single-program government. The report consists of the government-wide and fund statements, notes to the financial statements and other supplementary information. The Statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net positions presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The government-wide financial statements distinguish functions of the District that are principally supported by the ad valorem tax revenue received from the taxpayers. The governmental activities of the District include: general government, primarily consisting of culture and recreational activities. The government-wide financial statements are presented in the far-right column of pages 8 and 9 of this report.

Governmental activities (continued).

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, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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 the governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The District maintains only one individual governmental fund, the General Fund.

The District adopts an annual budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the financial. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 9 of this report.

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 \$1,875,377 at the close of the most recent fiscal year.

Governmental activities. Governmental activities had an increase of \$28,759 in the District's net position, accounting for the total increase in the net position of the District as of September 30, 2016. The comparison to prior years follows.

The following summarizes the District's net position at September 30, 2016 and 2015 and the changes between the two years.

	2016	Net Position 2015 <i>(restated)</i>	Changes
Current assets	\$ 367,959	\$ 255,435	\$ 112,524
Capital assets	1,521,449	1,603,379	(81,930)
Deferred outflows of resources	14,855	1,610	13,770
Total assets and deferred outflows of resources	<u>\$ 1,904,263</u>	<u>\$ 1,860,424</u>	<u>\$ 44,364</u>
Accounts payable	\$ 4,980	\$ 4,431	\$ 14,724
Net pension liability	18,463	4,235	
Deferred inflows of resources	5,443	5,140	1,744
Total liabilities and deferred inflows of resources	28,886	13,806	16,468
Net position:			
Invested in capital assets	1,521,449	1,603,379	(81,930)
Unrestricted	253,928	193,239	60,689
Restricted - roof and major repairs	100,000	50,000	50,000
Total net position	<u>\$ 1,875,377</u>	<u>\$ 1,846,618</u>	<u>\$ 28,759</u>

The above represents the net assets after adjusting for the removal of compensated absences.

The following summarizes the District's change in net position at September 30, 2016 and 2015 and the differences between the two years after eliminating compensated absences.

	2016	2015 (restated)	Change
Operating grants and contributions	\$ 345	\$ 2,241	\$ (1,896)
General revenues:			
Property taxes	248,932	243,929	5,003
Other	7,296	6,184	1,112
Total revenues	256,573	252,354	4,219
Expenses:			
Culture and recreation	227,814	247,866	(20,052)
Change in compensated absences	-	-	-
Total expenses	227,814	247,866	(20,052)
Increase in net position	28,759	4,488	24,271
Net position at beginning of year	1,846,618	1,842,130	4,488
Net position at end of year	\$ 1,875,377	\$ 1,846,618	\$ 28,759

Financial Analysis of the Government's Funds

Governmental fund. 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 financing requirements. Unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

The District's governmental fund balance increased \$110,689 during the current fiscal year to \$353,928 at September 30, 2016.

General Fund Budgetary Highlights

For the year ended September 30, 2016, actual revenues were more than budgeted amounts by \$7,458, and expenditures were less than originally budgeted by \$104,581. The \$104,518 expenditure variance is primarily attributable to expenditure decreases of \$9,405 for books and periodicals expenses, \$4,448, in programs, \$4,241 in repairs and maintenance, \$9,500 in contingency, \$6,047 in equipment outlays, and \$65,000 in outlays for capital improvements.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of September 30, 2016, amounts to \$1,521,449, or 80 percent of total net assets. This investment in capital assets includes all assets, (land, buildings and improvement, furniture, and equipment) net of accumulated depreciation.

Debt. At the end of the current fiscal year, the District did not have any debt.

Economic factors

Legislation, property values and millage rates are all significant economic factors that affect the District.

Change in Accounting Principles

The Library participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the Library implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The requirements of this Statement are being implemented prospectively; with the Library reporting its proportionate share of the actuarially determined liabilities.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Board of Directors, Merritt Island Public Library District, 1195 N Courtenay Pkwy, Merritt Island, FL 32953.

Merritt Island Public Library District
Governmental Fund Balance Sheet/Statement of Position
September 30, 2016

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 367,959	-	\$ 367,959
Capital assets, net of accumulated depreciation			
Building and improvements		1,312,722	1,312,722
Furniture and equipment		157,127	157,127
Capital assets, not being depreciated			
Land		51,600	51,600
Total capital assets	-	1,521,449	1,521,449
Total assets	367,959		1,889,408
Deferred outflows of resources			
Pension outflows		14,855	14,855
Total assets and deferred outflows of resources		1,536,304	\$ 1,904,263
Liabilities			
Accounts payable	4,980		4,980
Net pension liability		18,463	18,463
Total liabilities	\$ 4,980	18,463	23,443
Deferred inflows of resources			
Pension inflows		5,443	5,443
Total liabilities and deferred inflows of resources			28,886
Fund Balance/net position			
Fund balance- unreserved:			
Committed - Roof and major repairs	100,000	(100,000)	-
Unassigned	262,979	(262,979)	-
Total fund balance	362,979	(362,979)	-
Total liabilities and fund balance	\$ 367,959		
Net position			
Invested in capital assets		1,521,449	1,521,449
Board restricted		100,000	100,000
Unrestricted		253,928	253,928
Total net position		1,875,377	1,875,377
Total liabilities and net position			\$ 1,904,263

The accompanying notes are an integral part of these financial statements

Merritt Island Public Library District
Governmental Fund - revenue, expenditures and changes in fund balance/statement of activities
September 30, 2016

	General Fund	Adjustments	Statement of Activities
Revenues:			
Taxes	\$ 248,932	\$ -	\$ 248,932
Fines & fees	-	-	-
Interest	1,686	-	1,686
Miscellaneous	5,610	-	5,610
Donations	345	-	345
Total revenues	256,573	-	256,573
Expenditures:			
Culture and recreation:			
Books and periodicals	30,595		30,595
Dues and memberships	175		175
Insurance	11,576		11,576
Office expense	8,219		8,219
Payroll	19,062		19,062
Payroll taxes	1,458		1,458
Shared county/sub-contract labor	22,510		22,510
Professional fees	6,500		6,500
Programs	7,617		7,617
Publicity	8,323		8,323
Repairs and maintenance	12,759		12,759
Pension expense	1,395	1,288	2,683
Tax service collection fees	10,207		10,207
Travel	247		247
Capital outlay:			
Depreciation	-	85,883	85,883
Equipment	3,953	(3,953)	-
Capital improvements	-		-
Total expenditures	144,596	83,218	227,814
Excess of revenues over expenditures	111,977	(111,977)	-
Change in net position	(1,288)	30,047	28,759
Fund balance/fund balance, beginning of year	243,239	1,603,379	1,846,618
Fund balance, end of year	\$ 353,928	\$ 1,521,449	\$ 1,875,377

The accompanying notes are an integral part of these financial statements

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements present the financial position and the change in financial position of the applicable fund types governed by the Board of Directors of the Merritt Island Public Library District (“the District”) and have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The more significant policies of the District are described below.

1. Reporting Entity

The District was created by Chapter 65-1289, Special Acts of Florida, 1965, is located within Brevard County, and is governed by the Merritt Island Public Library District Board. The District, along with the Brevard County Board of County Commissioners (the “County”), operate and maintain the Merritt Island Public Library (the “Library”) located in Merritt Island, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a fund balance – governmental fund revenues, expenditures, and changes in fund balances/statement of activities statement. These statements report information on all of the nonfiduciary activities of the primary government.

Net position, the difference between assets and liabilities, as presented in the statement of net position, are subdivided into three categories: amounts invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets.

The fund balance–governmental revenues, expenditures, and changes in fund balances/statement of activities statement presents the direct and indirect expenses of a given function or segment and its program revenues, and displays the extent to which each function or segment contributes to the change in net positions for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function or segment. Indirect expenses are those that are clearly identifiable to a specific function or segment. Indirect expenses are costs the District has allocated to functions through various allocation methods. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the District’s governmental funds. The focus of governmental fund financial statements is on major funds. Therefore, major funds are reported as separate columns in the fund financial

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

statements and non-major funds are aggregated and presented as a single column on each statement. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

The District reports the following major governmental fund:

General fund – the general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

3. 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.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available to finance expenditures of the current period. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period, considered by the District to be sixty days.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. One exception to this general rule includes principal and interest on general long-term debt which is recognized when due.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net position) is considered a measure of "available spendable resources".

Generally, when both restricted and unrestricted resources are available for use, the District uses restricted resources first, and then unrestricted resources as needed.

4. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Use of estimates (continued)

assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

5. Budget

The District follows the procedures detailed below in establishing the budgetary data reflected in the financial statements:

- a. In compliance with the amended act which established the District, each year a public hearing of the budget is held and the adopted budget must be published in three public places, with a copy sent to the County.
- b. A tentative budget is sent to the Brevard county Property Appraiser within 35 days after the District receives the Certification of Taxable Value from the Brevard County Tax Collector. A date for the first public hearing accompanies the tentative budget so that the Property Appraiser can enclose a notice of dates and locations of public hearings with the notices of proposed taxes that are mailed to the taxpayers.
- c. The first public hearing must be held within 65 to 80 days from the date the Certification of Value was received. Notice of the final hearing must be published within 15 days after the first public hearing is held, and it must be held within two (2) to five (5) days from this date. At this meeting, the final budget is adopted and a newspaper advertisement is published at this time. The final budget is sent to the County the first week of October.

The District's Board may amend the original budgets without holding public hearings as follows:

- a. Appropriations for expenditures in any fund may be decreased and other appropriations in the same fund correspondingly increased by motion recorded in the minutes, provided that the total fund appropriation is not changed.
- b. Appropriations from a reserve for contingencies may be made to increase or create an appropriation in the same fund for any lawful purpose.
- c. A reserve for future construction and improvements may be appropriated by resolution of the District's Board for the purpose for which the reserve was made.

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Budget (continued)

- d. A receipt of revenue from a source not anticipated in the budget and received for a particular purpose may, by resolution of the District's Board, be appropriated and expended for that purpose, in addition to the appropriations and expenditures provided for in the budget.

Total expenditures may not exceed total appropriations for each fund except as provided above.

The District's legal level of budgetary control is the fund level. The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-Governmental Fund presents comparisons of the adopted budget and actual data in conformity with generally accepted accounting principles in the United States of America.

6. Capital assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The District has adopted a \$750 capitalization limit for assets which have a useful life of one year or more. The cost of property sold or retired, together with the related accumulated depreciation, is removed from the appropriate accounts, and any resulting gain or loss is included in net income.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ten to forty years for building and improvements and five to ten years for furniture and equipment. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

7. Accrued compensated absences

The District's accounting policy accrues compensated absences when earned. The non-current liability is shown in the statement of net assets.

8. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources - continued

The deferred outflows 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*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. Details on the composition of the deferred outflows related to pensions are further discussed in Note H.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The deferred 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*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. Details on the composition of the deferred outflows related to pensions are further discussed in Note C.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (FRS) and Health Insurance Subsidy Program (HIS) and additions to/deductions from the FRS and HIS fiduciary net position have been determined on the same basis as they are reported by FRS and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fair Value of Financial Instruments

The Library's financial instruments include cash and cash equivalents and accounts payables. The carrying amounts of these financial instruments have been estimated by management to approximate fair value.

NOTE B — FUND BALANCE

In accordance with GASB 54, the Library is required to report fund balance amounts in five classifications nonexpendable and the spendable categories of restricted, committed, assigned, and unassigned, as follows:

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE B — FUND BALANCE (Continued)

Nonspendable

Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. The Library had no nonspendable fund balance amounts at September 30, 2016.

Restricted

Amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the Library's highest level of decision-making authority. The Library's Board of Trustees addresses these commitments through formal board action prior to the Library's fiscal year end. The Library had a committed fund balance of \$100,000 at September 30, 2016.

Assigned

Amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Assignments can be made by the Trustees, The Library had no assigned fund balance amounts at September 30, 2016.

Unassigned

Includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes. The Library had an unassigned fund balance of \$262,979 in its general fund.

The Library's policy is to first spend restricted funds when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. Additionally, the Library's policy is to spend funds in the following order: committed, assigned, and unassigned.

The Library does not have a formal minimum fund balance policy, nor has it established any stabilization arrangements within fund balances.

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE C— RECONCILIATION OF GOVERNMENT- WIDE AND FUND FINANCIAL STATEMENTS

Adjustments were made to include capital assets (net of accumulated depreciation) on the statement of net position. The resulting difference between governmental fund balances and total net position is as follows:

Ending fund balance	\$ 362,979
Net Pension - GASB 68	(9,051)
Capital assets, net	<u>1,521,449</u>
Total net position	<u>\$ 1,875,377</u>

Adjustments were made to include depreciation expense and capital outlay. The resulting difference between "excess revenues over expenditures" and "changes in net position" is as follows:

Excess (deficiency) of revenues over expenditures	\$ 111,977
Pension expense - GASB 68	<u>(1,288)</u>
Change in net position	<u>\$ 110,689</u>

NOTE D — CASH DEPOSITS

The investment of surplus funds is governed by the provisions of Florida Statute 218.415 as to the type of investments that can be made. Deposits may be exposed to custodial credit risk (risk of loss in the event of a bank failure). The Board manages its custodial credit risk by maintaining its deposits in a financial institution designated as "Qualified Public Depository" by the State Treasurer. All deposits were fully insured through a combination of Federal depository insurance and participation of the financial institution in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. Accordingly, risk of loss due to bank failure is not significant.

At September 30, 2016, the reported amount of the Board's deposits was \$367,959, consisting entirely of deposits with two financial institutions in a checking account.

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 51,600	\$ -	\$ -	\$ 51,600
Construction in progress	-			-
Equipment deposit	-			-
Capital Assets being depreciated:				
Building and Improvements	2,531,140	-		2,531,140
Furniture and equipment	403,095	3,953		407,048
Total capital assets being depreciated	2,934,235	3,953	-	2,938,188
Less accumulated depreciation for:				
Building and improvements	(1,143,536)	74,882		(1,218,418)
Furniture and equipment	(238,920)	11,001		(249,921)
Total accumulated depreciation	(1,382,456)	85,883	-	(1,468,339)
Total capital assets being depreciated, net	1,551,779	(81,930)	-	1,469,849
Governmental activities capital assets, net	<u>\$ 1,603,379</u>	<u>\$ (81,930)</u>	<u>\$ -</u>	<u>\$ 1,521,449</u>

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE F – PROPERTY TAXES

District taxes are assessed on real and personal property values within the District's boundaries as of January 1. The taxes are levied on October 1 and become delinquent on April 1 of the following year. Property taxes are levied by the district on property values assessed by the Brevard County Property Appraiser and approved by the Florida Department of Revenue. The District's levy of taxes was \$.0919 per thousand of assessed value for 2016. In the event of unpaid property taxes, Brevard County acts as an agent for the District in the collection of these taxes.

NOTE G – RISK MANAGEMENT PROGRAMS

Property loss coverage, purchased through commercial insurance, had coverage limits of \$1,000,000 per occurrence and \$2,000,000 aggregate during fiscal year 2016. Settled claims resulting from the risks described above have not exceeded the insurance coverage for each of the past three fiscal years and there have been no significant reductions in coverage from the preceding year.

NOTE H – EMPLOYEE BENEFITS

The District participates in the Florida Retirement System (the "System") defined benefit pension plan, a cost-sharing multiple-employer public employee retirement system administered by the State of Florida Department of Administration, division of Retirement, to provide retirement benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. No employee contributions are required.

The System issues a publicly available financial report that included financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560, or by calling (650)-488-6491.

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

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE H – EMPLOYEE BENEFITS - Continued

FRS members are eligible for retirement after vesting, which may occur at six (6) years of creditable service for regular members. Normal retirement age is attained at the earlier of thirty (30) years of creditable service, regardless of age or retirement at age 62 with at least six (6) years of creditable service. Early retirement may be taken anytime; however, there is a five-percent (5%) benefit reduction for each year prior to normal retirement age (less than thirty (30) years of service or 62 years of age) for regular members. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are computed based on age, average final compensation and service credit.

Funding Policy / Contributions

The FRS has nine (9) classes of membership. Only two (2) classes are applicable to the District's eligible employees. These two (2) classes, with descriptions and contribution rates in effect during the period ended September 30, 2016, are as follows

Regular Class - Members not qualifying for other classes; 7.37% rate October 1, 2015 to June 30, 2016 and 7.26% rate July 1, 2016 to September 30, 2016.

Senior Management Service Class - Members of senior management who do not elect the optional annuity retirement program; 21.14% rate October 1, 2015 to June 30, 2016, and 21.43% rate July 1, 2016 to September 30, 2016.

Contributions are based on an actuarial review by FRS. The Library's contributions for the two years ended September 30, 2016 and 2015 were made in accordance with actuarially determined contribution requirements and amounted to approximately \$1,396 and \$998, respectively, representing approximately 7% and 9%, respectively, of covered payroll. FRS members are to make a pretax contribution of 3% of gross salary toward their pension. Contribution rates are in agreement with the actuarially determined rates and were charged to the culture and recreational functions of the District.

Benefits Provided

Benefits under FRS Pension Plan are determined by age, category, length of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average final compensation of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. Vesting is recognized after 6 years of creditable service. As of September 30, 2016, the District employed one part-time employee.

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE H – EMPLOYEE BENEFITS - Continued

Benefits Provided - continued

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

Pension Plans' Fiduciary Net Position

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

Payables to the Pension Plans

As of September 30, 2016, the Library did not have an outstanding payable to the plans for regular employee and employer contributions that were legally required to be paid to the plans but not remitted prior to the end of the year.

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2015, using the entry age normal actuarial cost method and the following significant actuarial assumptions:

	<u>FRS</u>	<u>HIS</u>
Inflation	2.600%	2.600%
Real growth	0.650%	0.650%
Payroll rate	3.250%	3.250%
Investment rate of return	7.600%	N/A

Mortality assumptions for both plans were based on the Generational RP-2000 with Projections Scale BVB tables.

Actuarial assumptions for both the Florida Retirement System Actuarial Assumptions Conference annually review cost-sharing defined benefit plans. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013.

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE H – EMPLOYEE BENEFITS - Continued

Actuarial Assumptions – continued

Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The following changes in actuarial assumptions occurred in 2016:

FRS: There were no changes in actuarial assumption. The inflation rate assumption remained at 2.6%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained a 3.25%. The long-term expected investment rate of return remained decrease from 7.65% to 7.60%.

HIS: The municipal rate used to determine the total pension liability decreased from 3.8% to 2.85%.

Pension Liabilities and Pension Expense

At September 30, 2016, the Library reported a liability for its proportionate shares of the net pension liability. The net pension liability for the FRS Pension Plan was measured as of July 1, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated July 1, 2016. The HIS actuarial valuation was prepared as of July 1, 2015, and update procedures were used to determine liabilities as of July 1, 2016. The Library's proportions of the net pension liabilities were based on the Library's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Net pension liability at September 30, 2016	\$ 11,151	\$ 7,312	\$ 18,463
Net pension liability at September 30, 2015	\$ 1,310	\$ 2,164	\$ 3,989
Proportion at:			
June 30, 2016	0.000044163%	0.000062739%	
June 30, 2015	0.000016028%	0.000021216%	
Pension expense (benefit), year ended			
September 30, 2016	<u>\$ (1,997)</u>	<u>\$ (686)</u>	<u>\$ (2,683)</u>

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE H – EMPLOYEE BENEFITS – Continued

Benefits Provided - continued

Deferred Outflows/Inflows of Resources Related to Pensions

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

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 854	\$ (104)	\$ -	\$ (17)
Changes of assumptions	675	-	1,147	-
Net difference between projected and actual earnings on pension plan investments	5,130	(2,248)	4	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,344	(1,893)	3,358	(1,181)
Library contributions subsequent to the measurement date	<u>267</u>	<u>-</u>	<u>76</u>	<u>-</u>
Total	<u>\$ 10,270</u>	<u>\$ (4,245)</u>	<u>\$ 4,585</u>	<u>\$ (1,198)</u>

Deferred outflows of resources related to employer contributions paid after the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pension expense will be recognized as follows:

Reporting Year Ending June 30,	FRS	HIS
2017	\$ 5,933	\$ 2,031
2018	5,933	2,031
2019	17,170	2,024
2020	11,751	2,021
2021	1,728	1,749
Thereafter	<u>555</u>	<u>1,488</u>
Totals	<u>\$ 43,071</u>	<u>\$ 11,345</u>

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE H – EMPLOYEE BENEFITS – Continued

Benefits Provided - continued

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2015 the FRS Actuarial Assumptions Conference reviewed long-term assumptions developed by both the FRS actuary's capital market assumptions team and by a capital market assumptions team from consultants to the State Board of Administration.

The table below summarizes the key assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market model.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed income	18.0%	4.7%	4.6%	4.6%
Global equity	53.0%	8.1%	6.8%	17.2%
Real estate property	10.0%	6.4%	5.8%	12.0%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	11.1%
	<u>100.0%</u>			
Assumed inflation - measure			2.6%	1.9%

Discount rate

The discount rate used to measure the total pension liability for FRS was 7.60%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

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

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE H – EMPLOYEE BENEFITS – Continued

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the Authority's proportionate share of the net pension liability if the discount rate was 1 % higher or 1% lower than the current discount rate.

	FRS			HIS		
	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
Library's Proportionate Share of the net Pension liability	\$ 20,500	\$ 11,151	\$ 3,300	\$ 8,400	\$ 7,312	\$ 6,400

Pension Plan's Fiduciary Net Position

Detained information regarding the pension plan's fiduciary net position is available in the State's separately issued financial reports.

Payables to the Pension Fund

As of September 30, 2016, the Library did not have an outstanding payable to the plan's regular and employer contributions that we legally required to be paid to the plan but not remitted prior to the year end.

NOTE I – FUND BALANCE

Designation of reserve fund balance

During the year ended September 30, 2014, the District's Board of Directors designated \$50,000 per year for five (5) years be placed in a restricted account to replace the roof. Every year since 2014, the District has transferred \$50,000 to the restricted net assets.

REQUIRED SUPPLEMENTARY INFORMATION

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

**Schedule of Proportionate Share of Net Pension Liability of
Florida Retirement System (FRS)
Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Library's proportion of the net pension liability (asset)	0.000044163%	0.000016028%	0.000021473%
Library's propotionate share of the new pension liability (assets)	\$ 11,151	\$ 2,070	\$ 1,310
Library's covered - employee payroll	\$ 19,062	\$ 11,341	\$ 17,919
Library's proportionate share of the net [ension liability (asset) as a percentage of its covered - employee payroll	58.5%	18.3%	7.3%
Plan fiduciary net position as a percentage of the total pension liability	92.0%	92.0%	99.1

**Schedule of Proportionate Share of Net Pension Liability of
Florida Retirement System (HIS)
Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Library's proportion of the net pension liability (asset)	0.000062739%	0.000021216%	0.000028648%
Library's propotionate share of the new pension liability (assets)	\$ 7,312	\$ 2,164	\$ 2,679
Library's covered - employee payroll	\$ 19,062	\$ 11,341	\$ 17,919
Library's proportionate share of the net [ension liability (asset) as a percentage of its covered - employee payroll	38.4%	19.1%	15.0%
Plan fiduciary net position as a percentage of the total pension liability	50.0%	50.0%	99.0%

- The amounts presented for each fiscal year were determined as of June 30.

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

Note 2: The Plan's fiduciary net position as a percentage of the total pension liability is purchase in Note 4 of the Plan's Comprehensive Annual Financial Report.

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

**Schedule of Contributions of
Florida Retirement System (FRS)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,070	\$ 279	\$ 26
Contribution in relation to contractually required contribution	(1,070)	(279)	(26)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Library's covered - employee payroll	\$ 19,062	\$ 11,341	\$ 17,919
Contributions as a percentage of covered payroll	5.6%	2.5%	0.1%

**Schedule of Contributions of
Florida Retirement System HIS)**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 326	\$ 114
Contributions in relation to the contractually required contribution	(326)	(114)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Library's covered-employee payroll	\$ 19,062	\$ 11,341
Contributions as a percentage of covered employee payroll	1.7%	1.0%

- The amounts presented for each fiscal year were determined as of June 30.

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

SUPPLEMENTARY INFORMATION

MERRITT ISLAND PUBLIC LIBRARY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL –
GENERAL FUND
September 30, 2016

	Budgeted Amounts- Final	Actual Amounts	Variance To Budget	Variance %
<u>Revenues</u>				
Taxes	\$ 243,615	\$ 248,932	\$ 5,317	2.1%
Interest	1,000	1,686	686	40.7%
Miscellaneous	3,000	5,610	2,610	46.5%
Donations	1,500	345	(1,155)	-334.8%
Total revenues	249,115	256,573	7,458	2.9%
<u>Expenditures</u>				
Culture and recreation:				
Binding	-	-	-	0.0%
Books and periodicals	40,000	30,595	(9,405)	-30.7%
Dues and memberships	500	175	(325)	-185.7%
Insurance	11,000	11,576	576	5.0%
Office expense (supplies)	8,000	8,219	219	2.7%
Payroll	21,000	19,062	(1,938)	-10.2%
Payroll Taxes	1,700	1,458	(242)	-16.6%
Shared county/sub-contracted labor	24,500	22,510	(1,990)	-8.8%
Professional fees (legal & accounting)	7,500	6,500	(1,000)	-15.4%
Programs	12,065	7,617	(4,448)	-58.4%
Publicity	8,000	8,323	323	3.9%
Repairs and maintenance	17,000	12,759	(4,241)	-33.2%
Retirement Expenses	2,100	1,395	(705)	-50.5%
Tax service collection fees	10,000	10,207	207	2.0%
Travel	1,250	247	(1,003)	-406.1%
Contingency	9,500	-	(9,500)	0.0%
Capital outlay:				0.0%
Equipment	10,000	3,953	(6,047)	-153.0%
Equipment deposits		-	-	
Capital Improvement	65,000	-	(65,000)	0.0%
Total expenditures	249,115	144,596	(104,519)	-72.3%
Net change in fund balance	-	111,977	111,977	
Fund balance, beginning of year	251,002	251,002	-	
Fund balance, end of year	\$ 251,002	\$ 362,979	\$ 111,977	

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

To the Board of Directors
Merritt Island Public Library District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Merritt Island Library District as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Law Library Board's basic financial statements, and have issued our report thereon dated June 19, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Merritt Island Public Library District's financial statements are free from material misstatement, we performed tests of its compliance with

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

Purpose of this Report

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

Soles, Heyn & Company

Soles, Heyn & Company, LLP
West Palm Beach, Florida
June 19, 2017

INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Board of Directors
Merritt Island Public Library District

Report on the Financial Statements

We have audited the financial statements of Merritt Island Public Library District, which comprise the net position and governmental fund revenues, expenditures, and changes in fund balance / statement of activities as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 19, 2017.

Auditor's Responsibilities

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, and Chapter 10.550, Rules of the Auditor General.

Other Reports and schedules

We have issued our 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. Disclosures in those reports, which are dated June 19, 2017, should be considered in conjunction with this management letter

Prior Audit Findings

Section 10.554(l)(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 in the preceding annual audit report.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal, and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Soles, Heyn & Company

Soles, Heyn & Company, LLP
West Palm Beach, Florida
June 19, 2017

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH FLORIDA STATUTES 218.415 –
INVESTMENTS OF PUBLIC FUNDS**

To the Board of Directors
Merritt Island Public Library District
Merritt Island, Florida

We have examined the Merritt Island Public Library District's ("District") compliance with Section 218.415, Florida Statute during the year ended September 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

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

This report is intended solely for the information and use of the Florida Auditor General, management and the Board of Directors of the Merritt Island Public Library District, and is not intended to be and should not be used by anyone other than these specified parties.

Soles, Heyn & Company

Soles, Heyn & Company LLP
West Palm Beach, Florida
June 19, 2017