

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Indian River Mosquito Control District
Vero Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Indian River Mosquito Control District, Vero Beach, Florida ("District") as of and for the fiscal year ended September 30, 2017, 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.

Auditor's 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 governmental activities and each major fund of the District as of September 30, 2017, and the respective changes in financial position thereof for the fiscal 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 and the required supplementary information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2018, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated June 20, 2018, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



June 20, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Indian River Mosquito Control District, Vero Beach, Florida ("District") provides an overview of the District's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the most recent fiscal year resulting in a net position balance of \$4,063,697.
- The change in the District's total net position in comparison with the prior fiscal year was (\$354,624), a decrease. The key components of the District's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2017, the District's governmental fund reported ending fund balances of \$2,552,792, a decrease of \$(355,589) in comparison with the prior fiscal year. A portion of the fund balance is non-spendable for prepaid items, assigned for future capital outlay and subsequent years' expenditures, and the remainder is unassigned which is available for spending at the District's discretion.
- During fiscal year 2017, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. Please see New Accounting Standards Adopted in Note 2 of the financial statements for additional information.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the residual amount being 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 statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by property tax revenues. The District does not have any business-type activities. The governmental activities of the District include the mosquito control functions.

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 and demonstrate compliance with finance-related legal requirements.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

The District has two fund category: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District'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 governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one governmental fund for external reporting. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The general fund is considered a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Fiduciary Funds

Governmental funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's program. Fiduciary funds use much the same basis of accounting as the government-wide statements. The District maintains one fiduciary fund for the Other Post-employment Benefits (OPEB) Trust.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data included in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources at the close of the most recent fiscal year.

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure). These assets are used to provide services to residents; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net position may be used to meet the District's other obligations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Key components of the District's net position are reflected in the following table:

	NET POSITION SEPTEMBER 30,	
	2017	2016 (restated)
Current and other assets	\$ 2,761,039	\$ 3,022,248
Capital assets, net of depreciation	3,029,464	2,873,290
Total assets	5,790,503	5,895,538
Deferred outflows of resources	731,115	735,079
Total assets and deferred outflows	6,521,618	6,630,617
Current liabilities	208,247	113,867
Long-term liabilities	2,118,387	2,070,186
Total liabilities	2,326,634	2,184,053
Deferred inflows of resources	131,287	28,243
Total liabilities and deferred inflows	2,457,921	2,212,296
Net position		
Investment in capital assets	3,029,464	2,873,290
Unrestricted	1,034,233	1,545,031
Total net position	\$ 4,063,697	\$ 4,418,321

The District's net position decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing general revenues.

Key elements of the change in net position are reflected in the following table:

	CHANGES IN NET POSITION FOR THE FISCAL YEAR END SEPTEMBER 30,	
	2017	2016 (restated)
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 20,543	\$ 31,715
General revenues		
Property taxes	3,668,609	3,687,612
Unrestricted investment earnings	4,468	33,407
Miscellaneous	28,718	3,490
Loss on sale of capital assets	(208)	-
Total revenues	3,722,130	3,756,224
Expenses:		
Physical environment	4,076,754	4,781,041
Total expenses	4,076,754	4,781,041
Change in net position	(354,624)	(1,024,817)
Net position - beginning, as restated	4,418,321	5,443,138
Net position - ending	\$ 4,063,697	\$ 4,418,321

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2017 was \$4,076,754. The costs of the District's activities were primarily funded by property taxes. Program revenues are comprised primarily of grants and contributions.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Commissioners. The general fund budget for the fiscal year ended September 30, 2017 was amended to increase revenues by \$45,804 and increase appropriations by \$168,945. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017.

CAPITAL ASSETS

At September 30, 2017, the District had \$6,476,514 invested in capital assets. In the government-wide statements depreciation of \$3,447,050 has been taken, which resulted in a net book value of \$3,029,464. More detailed information about the District's capital assets is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND OTHER EVENTS

The District is considering undertaking two significant permanent control projects in FY 17-18: the restoration and reinforcement of an impoundment dike damaged in Hurricane Matthew, and replacing an existing portable diesel pump with a new permanent electric pump and pump station. These two projects are anticipated to continue into FY 18-19. In addition, it is anticipated that the general operations of the District will remain fairly constant. Recent trends in the local real estate values have seen a modest increase in real estate values which are expected to continue in the near future. The District's budget for the 2018 fiscal year is at a millage rate of 0.2515.

The District incurred substantial damage to its mosquito impoundment dikes and one of its pump stations when Hurricane Matthew struck Indian River County on October 7, 2016. The District applied to FEMA for reimbursement of associated repair costs in the amount of \$148K. Of the \$148K, approximately \$78K were spent for the purchase of materials, rental of equipment, and payments to third-party contractors necessary to complete repairs. The balance of the request was for costs related to personnel hours and usage of IRMCD-owned equipment during IRMCD-performed repairs. FEMA processed the District's request for assistance and funds were obligated as follows: \$111K of federal dollars, \$18.5K of state dollars, and the remaining \$18.5 to be absorbed by the District. FEMA has submitted our request to the state and the District is awaiting the state's release of those obligated funds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact Indian River Mosquito Control District's Finance Department at 5655 41st Street, Vero Beach, Florida, 32967.

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,463,869
Receivables	4,811
Inventories	227,432
Prepays	28,171
Other assets	36,756
Capital assets:	
Nondepreciable	651,282
Depreciable, net	2,378,182
Total assets	5,790,503
 DEFERRED OUTFLOWS OF RESOURCES	
FRS Pension	724,034
OPEB Trust	7,081
Total deferred outflows of resources	731,115
 LIABILITIES	
Accounts payable and accrued expenses	103,447
Accrued wages	104,800
Non-current liabilities:	
Accrued compensated absences	157,175
Net OPEB liability	164,517
Net pension liability	1,796,695
Total liabilities	2,326,634
 DEFERRED INFLOWS OF RESOURCES	
FRS Pension	123,771
OPEB Trust	7,516
Total deferred inflows of resources	131,287
 NET POSITION	
Investment in capital assets	3,029,464
Unrestricted	1,034,233
Total net position	\$ 4,063,697

See notes to the financial statements

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Primary government:	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:				
Physical environment	\$ 4,076,754	\$ 20,543	\$ -	\$ (4,056,211)
Total governmental activities	4,076,754	20,543	-	(4,056,211)
General revenues:				
Property taxes				3,668,609
Investment earnings				4,468
Miscellaneous income				28,718
Loss on disposal of capital assets				(208)
Total general revenues				3,701,587
Change in net position				(354,624)
Net position - beginning, as restated				4,418,321
Net position - ending				\$ 4,063,697

See notes to the financial statements

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2017**

	Major Fund General	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 2,463,869	\$ 2,463,869
Receivables	4,811	4,811
Inventories	227,432	227,432
Other assets	36,756	36,756
Prepays	28,171	28,171
Total assets	\$ 2,761,039	\$ 2,761,039
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 103,447	\$ 103,447
Accrued wages	104,800	104,800
Total liabilities	208,247	208,247
 Fund balance:		
Nonspendable:		
Prepays	28,171	28,171
Assigned to:		
Subsequent year's expenditures	1,005,000	1,005,000
Future capital outlay	485,000	485,000
Unassigned	1,034,621	1,034,621
Total fund balance	2,552,792	2,552,792
Total liabilities and fund balance	\$ 2,761,039	\$ 2,761,039

See notes to the financial statements

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

Total fund balances - governmental funds \$ 2,552,792

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 as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.

Cost of capital assets	6,476,514	
Accumulated depreciation	<u>(3,447,050)</u>	3,029,464

Certain deferred inflows of resources are not reported in the governmental fund financial statements but are reported in the government-wide financial statements.

Pension related		(123,771)
OPEB related		(7,516)

Certain deferred outflows of resources are not reported in the governmental fund financial statements but are reported in the government-wide financial statements.

Pension related		724,034
OPEB related		7,081

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Compensated absences		(157,175)
Net pension liability		(1,796,695)
Net OPEB liability		(164,517)

Net position of governmental activities		<u><u>\$ 4,063,697</u></u>
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See notes to the financial statements

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Major Fund General	Total Governmental Fund
REVENUES		
Property taxes	\$ 3,668,609	\$ 3,668,609
Interest	4,468	4,468
Grants and donations	20,543	20,543
Miscellaneous Revenue	28,718	28,718
Total revenues	3,722,338	3,722,338
EXPENDITURES		
Current:		
Physical environment	3,537,845	3,537,845
Capital outlay	540,082	540,082
Total expenditures	4,077,927	4,077,927
Excess (deficiency) of revenues over (under) expenditures	(355,589)	(355,589)
Fund balance - beginning, as restated	2,908,381	2,908,381
Fund balance - ending	\$ 2,552,792	\$ 2,552,792

See notes to the financial statements

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balances - total governmental funds	\$ (355,589)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.	436,187
Depreciation on capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(279,805)
The loss on the disposal of capital assets is not recognized in the governmental fund financial statements, but is reported in the statement of activities.	(208)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the differences are as follows:	
Pension expense	(133,125)
OPEB expense	(28,830)
Change in compensated absences	6,746
Change in net position of governmental activities	<u>\$ (354,624)</u>

See notes to the financial statements

INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	OPEB Trust Fund
ASSETS	
Cash and cash equivalents	\$ 60,425
Investments	200,000
Total assets	260,425
 NET POSITION	
Held in trust for OPEB	260,425
Total net position	\$ 260,425

See notes to the financial statements

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	OPEB Trust Fund
ADDITIONS	
Contributions	
Employer*	\$ 7,160
Investment income	255
Total additions	7,415
DEDUCTIONS	
Benefit payments	
Implicit subsidy	7,160
Total deductions	7,160
Net change in fund balances	255
Net position held in trust - beginning, as restated	260,170
Net position held in trust - ending	\$ 260,425

See notes to the financial statements

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Indian River Mosquito Control District ("District") was originally created under Chapter 11.128 of the Laws of Florida and Acts of the 1925 Legislature and is presently operating under Chapter 388, Florida Statutes. The District encompasses approximately two-thirds of the land mass and ninety-five percent of the population of Indian River County, Florida. The District is a separate taxing district governed by a Board of Commissioners composed of three members elected for terms of four years and is authorized to act as is necessary and prudent to control mosquitos within the boundaries of the District.

The Board has the responsibility for:

1. Levying taxes.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (operating-type special assessments for maintenance are treated as charges for services.) and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds. The major individual governmental fund and the major individual fiduciary funds are reported as separate columns in the fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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 to be 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. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, 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 District.

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.

The District reports the following fiduciary fund:

OPEB Trust Fund

This fund accounts for the trust fund established to receive and invest OPEB contributions and disburse these monies in accordance with the OPEB Trust document.

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

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to external restrictions.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments

The District's cash is considered to be cash on hand and demand deposits.

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

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

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 40
Equipment	5 - 7
Infrastructure	7 - 15

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused medical leave and vacation leave benefits. Medical leave may be accumulated up to 60 days. Once an employee exceeds 30 days of unused medical leave, the employee is paid half of used medical leave earned for the year and the other half is accrued. Once an employee reaches the maximum 60 days of accrued medical leave, the employee is paid 100% of medical year leave accrued over the 60 days. Employees with 10 or more years of service are paid 50% of unused medical to a maximum of 240 hours and for a maximum of 20 days of accumulated vacation leave upon retirement, termination for other than cause, or death. Employees with less than 10 years of service who leave employment of the District are not paid for unused medical or vacation leave. All sick and vacation leave is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Liability for accrued compensated absences of the governmental activities is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations.

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. Premiums and discounts are deferred and amortized ratably over the life of the debt. Long-term debt payable are reported net of applicable premiums or discounts. Issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such time as the revenue becomes available.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment rolls meet all of the appropriate requirements of State law. State Statutes permit the District to levy ad valorem property taxes at a rate of up to 10 mills.

The tax levy of the District is established by the Commission prior to October 1 of each year during the budget process. The Indian River County Property Appraiser incorporates the District's millage into the total tax levy, which includes the County, County School Board, and special District tax requirements. The millage rate assessed by the District for the year ended September 30, 2017, was 0.2515 (\$0.2515 for each \$1,000 of assessed valuation).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Property Taxes (Continued)

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. Liens are filed on April 1 and tax certificates are sold July 1 to satisfy the lien. After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

The District does not accrue property taxes receivable based on the County's allocation of the District's portion of County-held certificates for prior years, since they are immaterial.

Other Asset – Life Insurance Policy

The District is the policy owner, beneficiary, and paid the policy premiums on a life insurance policy for the former director. The former director was entitled to the earnings credited to this policy in excess of the cash value through an agreement with the District. The policy was paid in full in a prior year.

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Commissioners. Commitments may be changed or lifted only by the Board of Commissioners taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Commissioners that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards Adopted

During fiscal year 2017, the District adopted two new accounting standards as follows:

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

The implementation of GASB 74 and 75 resulted in the recognition of deferred inflows and outflows of resources related to the OPEB plan, as well as the net OPEB liability. The effect of adoption of GASB 74 and 75 is the increase of beginning net position by \$100,184 of the governmental activities.

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances including certificates of deposit as shown below were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The District's investments were held as follows at September 30, 2017:

<u>Investment</u>	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturity</u>
Seacoast Bank Certificate of Deposit	\$ 200,000	N/A	9/21/2018
Total Certificates of Deposit	<u>\$ 200,000</u>		

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Fair Value Measurement – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 549,359	\$ -	\$ -	\$ 549,359
Construction in progress	13,136	88,787		101,923
Total capital assets, not being depreciated	562,495	88,787	-	651,282
Capital assets, being depreciated				
Buildings and improvements	1,447,998	191,793	-	1,639,791
Equipment	1,680,904	155,607	1,080	1,835,431
Infrastructure	2,350,010	-	-	2,350,010
Total capital assets, being depreciated	5,478,912	347,400	1,080	5,825,232
Less accumulated depreciation for:				
Buildings and improvements	455,673	38,342	-	494,015
Equipment	1,372,859	97,610	872	1,469,597
Infrastructure	1,339,585	143,853	-	1,483,438
Total accumulated depreciation	3,168,117	279,805	872	3,447,050
Total capital assets, being depreciated, net	2,310,795	67,595	208	2,378,182
Governmental activities capital assets, net	\$ 2,873,290	\$ 156,382	\$ 208	\$ 3,029,464

Depreciation expense was charged to the physical environment function.

NOTE 6 – FLORIDA RETIREMENT SYSTEM

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

All regular employees of the District are eligible to enroll as members of the FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The District's pension expense totaled \$133,125 for the fiscal year ended September 30, 2017.

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan

Plan Description – The FRS Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The classes of membership within the District are as follows:

- Regular Class – Member of the FRS who do not qualify for membership in another class.
- Senior Management Service Class – Members in senior management level positions.
- Elected Local Officers Class – Members who hold specified elective offices in local governments.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided – Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation (AFC). For members initially enrolled before July 1, 2011, the AFC is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the AFC is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 years of service	1.68
Senior Management Service Class	2.00
Elected Local Officers	3.00

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

Per Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% 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 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017 fiscal year were as follows:

Class	Percent of Gross Salary October 1, 2016 to June 30, 2017		Percent of Gross Salary July 1, 2017 to September 30, 2017	
	Employee	Employer (1)	Employee	Employer (1)
FRS, Regular	3.00	7.52	3.00	7.92
FRS, Senior Management Service Class	3.00	21.77	3.00	22.71
FRS, Elected Local Officers	3.00	42.47	3.00	45.50

(1) Employer rates include a postemployment HIS contribution rate of 1.66%. Also, employer rates include .06% for administrative costs of the Investment plan.

The District's contributions to the Plan totaled \$108,540 for the fiscal year ended September 30, 2017. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2017, the District reported a liability of \$1,263,324 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's contributions for the year ended June 30, 2017 relative to the contributions made during the year ended June 30, 2016 of all participating members. At June 30, 2017, the District's proportionate share was 0.00427%, which was a decrease of .0003% from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017 the District recognized pension expense of \$116,125 related to the Pension Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 115,943	\$ (6,998)
Change of assumptions	424,566	-
Net difference between projected and actual earnings on FRS pension plan investments	(31,308)	-
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	66,466	(40,193)
District FRS contributions subsequent to the measurement date	26,233	-
Total	<u>\$ 601,900</u>	<u>\$ (47,191)</u>

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling \$26,233, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2018	\$ 68,980
2019	183,343
2020	128,193
2021	26,193
2022	88,590
Thereafter	33,177
Total	<u>\$ 528,476</u>

Actuarial Assumptions – The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.10 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

Actuarial Assumptions – The actuarial assumptions used in the July 1, 2017, 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)	Arithmetic Return	Geometric Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed income	18.0%	4.5%	4.4%	4.2%
Global equity	53.0%	7.8%	6.6%	17.0%
Real estate (property)	10.0%	6.6%	5.9%	12.8%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	9.7%
Total	<u>100.0%</u>			
Assumed inflation - mean			2.6%	1.9%

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

Discount Rate – The discount rate used to measure the total pension liability was 7.10 percent. The 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 6 – FLORIDA RETIREMENT SYSTEM (Continued)

FRS Pension Plan (Continued)

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate –

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10%, 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 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
Net Pension Liability	\$ 2,286,541	\$ 1,263,324	\$ 413,820

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan – At September 30, 2017, the District reported a payable to the Plan of \$13,153.

Retiree Health Insurance Subsidy Program

Plan Description – The HIS Pension Plan (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 Division of Retirement within the Florida Department of Management Services.

Benefits Provided – For the fiscal year ended September 30, 2017, 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, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, 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, 2017, the contribution rate was 1.66% of payroll from October 1, 2016 through September 30, 2017 pursuant to section 112.363, Florida Statutes. The District contributed 100 percent 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 the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$23,650 for the fiscal year ended September 30, 2017.

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

Related to Pensions – At September 30, 2017, the District reported a net pension liability of \$533,371 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the year ended June 30, 2017 contributions relative to the year ended June 30, 2016 contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.00499%, a decrease of .00028% compared to its proportionate share measured as of June 30, 2016.

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$17,000 related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (1,111)
Change of assumptions	74,974	(46,121)
Net difference between projected and actual earnings on FRS pension plan investments	296	-
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	40,970	(29,348)
District FRS contributions subsequent to measurement date	5,894	-
Total	\$ 122,134	\$ (76,580)

The deferred outflows of resources related to pensions, totaling \$5,894, 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	Amount
2018	\$ 12,364
2019	12,284
2020	12,246
2021	9,180
2022	3,620
Thereafter	(10,034)
Total	\$ 39,660

Actuarial Assumptions – The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25% average, including inflation
Investment rate of return	3.58 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009, through June 30, 2014.

Discount Rate – The discount rate used to measure the total pension liability was 3.58%. 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.

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.58%, 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 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	1% Decrease	Current	1% Increase
	2.58%	Discount Rate	4.58%
Net Pension Liability	\$ 608,647	\$ 533,371	\$ 470,670

Pension Plan Fiduciary Net Position – Detailed information about the HIS Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan – At September 30, 2017, District reported a payable to the Plan of \$1,210.

Florida Retirement System Investment Plan

Plan Description

The Florida Retirement System Investment Plan is a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code. The Florida Legislature enacted the Plan during the 2000 legislative session, and amendments to the Plan can only be made by an act of the Florida Legislature. The Plan is administered by the State Board of Administration of Florida.

Funding Policy

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the District's employees at September 30, 2017, were as follows: regular employees 10.92%, special risk employees 26.27%, senior management service employees 25.71%, and elected officials 53.86%. These rates include a 3.00% employee contribution, 1.66% for the Retiree Health Insurance Subsidy Program, and a 0.06% administrative fee.

The District's total payroll for the year ended September 30, 2017 was \$1,643,476 and payroll for employees covered by the Plan was \$158,832. The District and the covered employees made the required contributions of \$12,505 and \$4,765, respectively.

NOTE 7 – DEFERRED COMPENSATION PLAN

During 1984, the District entered into a Section 457 deferred contribution plan for eligible employees of the District. Under the plan, participants can make voluntary pre-tax contributions to the plan. On June 1, 2011, the District adopted a Roth 457(b) amendment allowing participants to make after-tax contributions to the plan. The plan can be amended by the Board of Commissioners of the Indian River Mosquito Control District. All assets and income of the plan are held in trust for the exclusive benefit of participants. The District does not make contributions to the plan. Employee contributions to the plan for the fiscal year ended September 30, 2017 were \$104,974.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

Pursuant to Section 112.081, Florida Statutes, the District is required to permit eligible retirees and their eligible dependents to participate in the District's health insurance program at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The District adopted a policy in April 2004 that provides a health insurance subsidy to retired employees and commissioners. The District provides postemployment benefits to its retired employees through a single employer defined benefit health care plan administered by the District. The plan provides for post-employment medical benefits to retired employees, and, in certain cases, their respective spouses, dependent, and survivors, who are eligible for coverage under the plan. The plan can be amended by the Board of Commissioners of the Indian River Mosquito Control District.

The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. In addition, the District provides for a direct subsidy to participants meeting certain specified criteria. The Plan does not issue a separate stand-alone financial statement.

Funding Policy

The District has assets designated for OPEB in a qualified irrevocable trust. Contributions to the plan are at the sole discretion of the District and is contingent on approval by the Board of Commissioners. The cost of administering the plan are paid by the District.

Benefits Provided

The plan provides healthcare for retirees and their qualified dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits are covered by the retiree.

As of the last actuarial valuation date, the following employees were covered by benefit terms.

Benefits-eligible retirees:	
United Healthcare Plan 1	1
United Healthcare Plan 3	0
Total with coverage	1
Total without coverage	5
Total retirees	6
Benefits-eligible active employees:	
United Healthcare Plan 1	9
United Healthcare Plan 3	22
Total with coverage	31
Total without coverage	1
Total active employees	32
Total number of participants	38

Contributions

The Board of Commissioners establishes the contribution requirements of plan members and the District. These contributions are neither mandated nor guaranteed. The retiree contributes the premium cost each month.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date	9/30/2016
Measurement date	9/30/2017
Actuarial cost method	Entry Age Normal
Amortization method for unfunded actuarial liability	Level percentage, closed
Amortization period:	
Investment gains and losses	Straight-line over a closed 5-year period
Effects of assumption changes and experience gains and losses	Straight-line over a closed period equal to the average of the expected remaining service life of all members provided with OPEB - 10.6 years
Actuarial assumptions:	
Investment rate of return	3.54% per annum
Expected return on plan assets	3.50%
Inflation rate	2.75%
Projected salary increases	3.25%
Healthcare cost trend rate(s):	6.8% for FY 2017 gradually decreasing to 4.40% in FY 2075 and later years
Coverage election	100% of eligible employees expected to retire in the future are assumed to elect coverage at retirement until age 65. Employees assumed to elect coverage are assumed to elect their current plan.
Retirement age	Latest of age 62, plan eligibility or current age
Mortality rates	RP 2014 headcount-weighted tables

The long-term expected rate of return on the OPEB plan investments was determined using a building-block method in which best-estimate ranges of the expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target asset allocation, if available) and by adding expected inflation.

The best-estimates of expected future asset class returns were published in the 2017 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

The annual money weighted rate of return net of investment expense for OPEB plan assets was .10% at September 30, 2017. The money weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions (Continued)

Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return (1)
Cash and cash equivalents	100.00%	0.79%	3.54%
Total (2)	100.00%		3.54%

(1) Nominal rates of return are equal to real rates of return plus assumed inflation rate

(2) Portfolio total expected return is weighted average of arithmetic asset class returns, with adjustment to reflect geometric averages. It is not equal to the weighted average of asset class geometric returns shown above.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on the District's contribution history and funding policy. We have assumed that retiree health benefits will be paid directly by the District until the projected OPEB trust assets are sufficient for all future benefit payments. The municipal bond index rate was used to discount projected benefit payments in the years prior to the OPEB trust reaching full-funding. The long-term expected rate of return on OPEB plan investments was applied to all expected benefit payments after the trust's projected full-funding date. Note that all projections exclude the effect of future employees per GASB rules.

Net Pension Liability

At September 30, 2017, the District reported a net OPEB liability of \$164,517. The net OPEB liability was measured at September 30, 2017, using an annual actuarial valuation dated October 1, 2016 rolled forward to September 30, 2017 using standard update procedures. The changes in Net OPEB Liability were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(c) = (a) - (b)
Balance at the beginning of the fiscal year	\$ 396,869	\$ 260,170	\$ 136,699
Changes for the year:			
Service cost	29,471	-	29,471
Interest	14,036	-	14,036
Changes of assumptions	(8,274)	-	(8,274)
Employer contributions (1)	-	7,160	(7,160)
Net investment income	-	255	(255)
Benefit payments (1)	(7,160)	(7,160)	-
Net changes	28,073	255	27,818
Balance at the end of the fiscal year	\$ 424,942	\$ 260,425	\$ 164,517

(1) Although the OPEB plan is administered through a trust, the FY 2017 OPEB payments were paid from the employer's general assets rather than the trust assets. GASB 74 Q&A 4.52 specifies this arrangement should be recognized as an offsetting contribution and benefit payment in the reconciliation of the plan's Fiduciary Net Position.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

The following presents the net OPEB liability of the District at the current discount rate of 3.54%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54%) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	2.54%	3.54%	4.54%
Net OPEB Liability \$	203,712	\$ 164,517	\$ 129,266

Sensitivity of the net OPEB asset to the changes in the healthcare cost trend rates

The following presents the net OPEB liability of the District at the current healthcare cost trend rate (6.8 percent decreasing to 4.4 percent), as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.8 percent decreasing to 3.4 percent) or 1-percentage-point higher (7.8 percent decreasing to 5.4 percent) than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability \$	113,653	\$ 164,517	\$ 225,039

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2017, the District recognized OPEB expense of (\$28,830). At September 30, 2017, the District reported deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ -	\$ -
Change of assumptions	-	(7,516)
Net difference between projected and actual investment earnings	7,081	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 7,081</u>	<u>\$ (7,516)</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending September 30,	Amount
2018	\$ 1,012
2019	1,012
2020	1,012
2021	1,013
2022	(758)
Thereafter	<u>(3,726)</u>
Total	<u>\$ (435)</u>

NOTE 9 – PRIOR PERIOD ADJUSTMENT

Amounts from the fiscal year 2016 financial statements were adjusted as follows:

	<u>General Fund</u>
Fund balance beginning, as previously reported	\$ 3,168,551
Less OPEB assets	(260,170)
Fund balance beginning, as restated	<u>\$ 2,908,381</u>

	<u>Governmental Activities</u>
Net position beginning, as previously reported	\$ 5,877,920
Less OPEB assets	(260,170)
Less OPEB obligation-GASB 45	(236,306)
Net effect of pension	(1,063,307)
Net effect of OPEB - GASB 74/75	100,184
Net position beginning, as restated	<u>\$ 4,418,321</u>

In addition, a fiduciary fund was established to report the activities of the OPEB Trust Fund with a beginning balance of \$260,170. Also, the Deferred Compensation Agency Fund shown as a governmental fund in the prior year financial statements was eliminated with a balance of \$2,054,058.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There were no settled claims during the past three years.

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,704,740	\$ 3,743,744	\$ 3,668,609	\$ (75,135)
Interest	4,050	4,050	4,468	418
Grants and donations	115,000	115,000	20,543	(94,457)
Miscellaneous Revenue	36,500	43,300	28,718	(14,582)
Total revenues	3,860,290	3,906,094	3,722,338	(183,756)
EXPENDITURES				
Current:				
Physical environment	4,654,390	4,748,335	3,537,845	1,210,490
Capital outlay	700,900	775,900	540,082	235,818
Total expenditures	5,355,290	5,524,235	4,077,927	1,446,308
Excess (deficiency) of revenues over (under) expenditures	(1,495,000)	(1,618,141)	(355,589)	1,262,552
OTHER FINANCING SOURCES (USES)				
Use of fund balance	1,495,000	1,618,141	-	(1,618,141)
Total other financing sources (uses)	1,495,000	1,618,141	-	(1,618,141)
Net change in fund balance	\$ -	\$ -	(355,589)	\$ (355,589)
Fund balance - beginning			2,908,381	
Fund balance - ending			\$ 2,552,792	

See notes to required supplementary information

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Commissioners. The general fund budget for the fiscal year ended September 30, 2017 was amended to increase revenues by \$45,804 and increase appropriations by \$168,945. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017.

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of District's Proportionate Share of Net Pension Liability
Florida Retirement System Pension Plan
Last 10 Years (Measurement Date)*

	2017	2016	2015	2014
District's proportion of the FRS net pension liability	0.004270970%	0.004578353%	0.004414161%	0.004164168%
District's proportionate share of the FRS net pension liability	1,263,324	1,156,038	570,148	254,075
District's covered employee payroll	1,439,005	1,409,340	1,224,039	1,127,471
Liability as a percentage of its covered employee payroll	87.79%	82.03%	46.58%	22.53%
FRS plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

Schedule of District's Proportionate Share of Net Pension Liability
Health Insurance Subsidy Pension Plan
Last 10 Years (Measurement Date)*

	2017	2016	2015	2014
District's proportion of the FRS net pension liability	0.004988290%	0.005264261%	0.004760381%	0.004631113%
District's proportionate share of the FRS net pension liability	533,371	613,528	485,484	433,020
District's covered employee payroll	1,439,005	1,409,340	1,224,039	1,127,471
Liability as a percentage of its covered employee payroll	37.07%	43.53%	39.66%	38.41%
FRS plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

*Information is not available for periods prior to 2014.

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of District Contributions
Florida Retirement System Pension Plan
Last 10 Fiscal Years*

	2017	2016	2015	2014
Contractually required FRS contribution	\$ 108,540	\$ 103,826	\$ 102,474	\$ 91,043
FRS contributions in relation to the contractually required contribution	(108,540)	(103,826)	(102,474)	(91,043)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 1,424,670	\$ 1,387,461	\$ 1,252,567	\$ 1,152,630
FRS contributions as a percentage of covered employee payroll	7.62%	7.48%	8.18%	7.90%

Schedule of District Contributions
Health Insurance Subsidy Pension Plan
Last 10 Fiscal Years*

	2017	2016	2015	2014
Contractually required FRS contribution	\$ 23,650	\$ 23,032	\$ 15,782	\$ 13,832
HIS contributions in relation to the contractually required contribution	(23,650)	(23,032)	(37,938)	(37,938)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ (22,156)	\$ (24,106)
District's covered employee payroll	\$ 1,424,670	\$ 1,387,461	\$ 1,252,567	\$ 1,152,630
HIS contributions as a percentage of covered employee payroll	1.66%	1.66%	1.26%	1.20%

*Information is not available for periods prior to 2014.

**INDIAN RIVER MOSQUITO CONTROL DISTRICT
VERO BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Changes in Net OPEB Liability and Related Ratios - Last Ten
Fiscal Years (1)

	Fiscal Year Ending <u>9/30/2017</u>
Total OPEB Liability	
Service cost	\$ 29,471
Interest	14,036
Differences between expected and actual experience	-
Changes of assumptions	(8,274)
Changes of benefit terms	-
Net investment income	-
Benefit payments	<u>(7,160)</u>
Net changes in total OPEB Liability	28,073
Total OPEB Liability - beginning of fiscal year	<u>396,869</u>
Total OPEB Liability - end of the fiscal year	<u><u>\$ 424,942</u></u>
Plan Fiduciary Net Position	
Employee contributions	\$ -
Employer contributions	7,160
Net investment income	255
Administrative expense	-
Benefit payments	<u>(7,160)</u>
Net changes in plan fiduciary net position	255
Plan Fiduciary Net Position - beginning of fiscal year	<u>260,170</u>
Plan Fiduciary Net Position - end of the fiscal year	<u><u>\$ 260,425</u></u>
Net OPEB Liability - end of the fiscal year	\$ 164,517
Plan fiduciary net position as a percentage of the Total OPEB Liability	61.3%
Covered payroll for the measurement period	\$ 1,644,603
Net OPEB Liability as a percentage of covered employee payroll	10.0%

(1) The employer must eventually disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.



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

To the Board of Commissioners
Indian River Mosquito Control District
Vero Beach, 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 each major fund of Indian River Mosquito Control District, Vero Beach, Florida ("District") as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated June 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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.



June 20, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Commissioners
Indian River Mosquito Control District
Vero Beach, Florida

We have examined Indian River Mosquito Control District, Vero Beach, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2017. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 fiscal year ended September 30, 2017.

This report 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, management, and the Board of Commissioners of Indian River Mosquito Control District, Vero Beach, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

June 20, 2018



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Commissioners
Indian River Mosquito Control District
Vero Beach, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Indian River Mosquito Control District, Vero Beach, Florida ("District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 20, 2018.

Auditor's 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 Reporting Requirements

We have issued our Independent Auditor's 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 Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 20, 2018, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Commissioners of Indian River Mosquito Control District, Vero Beach, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Indian River Mosquito Control District, Vero Beach, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

June 20, 2018

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2016.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2017.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2017.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2017 financial audit report.

6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2017. It is management's responsibility to monitor 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.