Melbourne-Tillman
Water Control District

FINANCIAL STATEMENTS

Year Ended September 30, 2017

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Melbourne-Tillman Water Control District
Board of Directors
as of September 30, 2017

President

Joseph N. Hale

Vice President

Keith Mills

Other Directors

Robert Hinkel

David Isnardi

James C. Tapp, Jr.

Drew Powshok

Conroy Jacobs

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Melbourne-Tillman Water Control District

We have audited the accompanying financial statements of Melbourne-Tillman Water Control District (the "District"), a dependent special district of Brevard County, Florida, as of and for the 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Melbourne-Tillman Water Control District as of September 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standar*ds

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2018, on our consideration of Melbourne-Tillman Water Control District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Melbourne-Tillman Water Control District's internal control over financial reporting and compliance.

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

Melbourne, Florida
February 21, 2018

The Melbourne Tillman Water Control District, a dependent special district of Brevard County, operates as an enterprise fund. A discussion of the District's financial performance for the year ending September 30, 2017 can be best understood given a brief background of the District.

History

The Melbourne-Tillman Water Control District is a dependent water control district of Brevard County reorganized in 1986 from its initial authorization as an independent district by the Florida Legislature in 1922. The District contains 100.8 square miles within its boundaries, approximately 64,491 acres. It is located in southern Brevard County and includes portions of the City of Palm Bay and the City of West Melbourne.

The District was initiated in the summer of 1921 through the presentation of a petition to the Circuit Court of Brevard County. This petition was for land reclamation for agricultural development and was signed by the required majority of landowners, by acreage, within the proposed boundaries of the District. After proper legal advertisement, a Decree was issued January 7, 1922 organizing and establishing the Melbourne-Tillman Drainage District under Chapter 6458, Laws of Florida, Acts of 1913. The proposed plan called for a network of canals that would, in conjunction with a western levee separating surface flows from the St. Johns River, divert runoff eastward to Turkey Creek. Construction of the approved canal and levee system began in November of 1922.

Construction of the canals and levee system continued through 1928 when operations ceased due to funding difficulties. Work was estimated to be 85 percent complete and did not include the outfall dam. Throughout the following decades the District persevered and was reorganized in 1986 as a dependent district of Brevard County under Chapter 86-418, Florida Statutes and later codified under its current authorization as Chapter 2001-336, Laws of Florida, as amended by Chapter 2003-334, Laws of Florida.

Today, the District successfully operates and maintains seventy-one canals, totaling over 163 miles, and a major water control structure. The primary canal serving the District, Canal C-1, traverses the District from the western levee, east to the primary water control structure at the outfall to Turkey Creek, a distance of approximately 9 miles.

Legislative Authority

The District operates under the authority of Chapter 2001-336, Laws of Florida, as amended by Chapter 2003-334, Laws of Florida. In 1986, the Florida Legislature "declared and determined … that a special district … would be the most responsive, efficient, and effective local government entity to secure, operate, and maintain an adequate, dependable surface water management system …". The Legislature created and incorporated the Melbourne-Tillman Water Control District as a dependent special district for the purpose of constructing, reconstructing and repairing, maintaining, and operating a surface water management system, previously managed by an independent district of the same name created pursuant to Chapter 298, Florida Statutes.

The District is governed by a seven (7) member Board appointed by the City of Palm Bay (3 members), Brevard County (3 members), and the City of West Melbourne (1 member). The singular qualification is that members must reside within District boundaries for the tenure of their service. The Board of Directors has the power to establish a water management system to prevent damage from flooding, soil erosion, and excessive drainage; to promote the conservation, development, and proper utilization of surface and ground water; to preserve natural resources, fish, and wildlife; maintain water quality; and to preserve and protect natural systems within and surrounding the District.

The Board may authorize the cleaning, straightening, widening or the change of course or flow, alter or deepen any canal, ditch, drain, watercourse or natural stream within the District boundaries. The building and construction of other works and improvements to preserve and maintain the works of the District are also authorized.

Funding

As a dependent district, the Board of Directors adopts a tentative annual operating budget for each fiscal year, to be approved by the Board of County Commissioners as an Enterprise Fund under the County's budget process.

District revenues consist of Operating Revenues (User Fee Charges for Services, Interest Income and Permit Fees) and Non-Operating Revenues (Balance Forward from Reserves for Operating and Capital). The User Fee Charges for Services, a non-ad valorem fee based on the county's assessment of property size and use, represents the largest component of the District's revenues, generally 80 to 90 percent.

Basic Financial Statements: This and Past Fiscal Years

The most recent fiscal year, 2017, concluded with operations within the approved budget limitations; similar to the performance of the previous year, 2016.

Assets

As of September 30, 2017, the District's total assets include cash, investments, inventories, property and equipment. Total assets decreased from $3,972k in 2016 to $3,835k in 2017, due mainly to an approximate $23k decrease in net cash and investments from a budgeted operating loss, a $48k decrease in inventories, and an approximate $66k decrease in property and equipment as a result of depreciation of $221k offset by approximately $154k in asset additions.

Liabilities

As of September 30, 2017, total liabilities of approximately $1,290k include accounts payable, wages and benefits payable, accrued compensated absences, postemployment benefit obligations, and pension liability. Total liabilities decreased approximately $14k from 2016 to 2017, due to an increase of $8,478 of accounts payable, accrued wages and accrued compensated absences. In addition, there was a decrease in the net pension liability of $26,235, offset by an increase of $3,790 in post-employment benefit obligations.

Revenues

The District's total operating revenues for 2017 increased from 2016, with $1,935k received in revenue compared with $1,966k budgeted in 2017 and $1,779k received in 2016. The increase was mainly due to an increase in the District's User Fees.

Program Expenses

The District's expenses are divided into four areas: wages and benefits; material and supplies; depreciation expense; repairs, maintenance and other.

Wages and benefits cover salaries and benefits for the District's staff of twenty-one. These costs increased approximately $4,551 from 2016 to 2017. Total wages and benefits expenditures in 2017 were $1,381k compared with $1,376k in 2016. The increase in 2017 was due to personnel changes from the previous year along with increased benefit costs.

Material and supplies expense decreased from $399k to $309k from 2016 to 2017, and includes primarily aquatic herbicide, parts for in-house repairs, fuels and oils, and tax assessment and collection fees, and transfer expenses. The decrease was primarily due to a decrease in aquatic herbicide expenses.

Repair and maintenance expenses include primarily vehicle and equipment repair, facility and canal maintenance, repair and supply, and general insurance. Other expenses include communications, utilities, travel, training, professional services and administrative requirements. Total repair, maintenance and other expenses decreased from $330k in 2016 to $270k in 2017. The decrease is mainly due to a decrease in parts and supplies.

Overall Financial Position

The District's net position decreased by $203k due to operations and was in line with the District's budget. The District budgeted to use $187k of carryforward fund balance in fiscal year 2017. As of September 30, 2017, the District has an unrestricted net position of $1,848k and $962k invested in capital assets net of related debt.

The overall financial position of the District is good. No significant change is anticipated.

Significant Capital Assets and Long-Term Debt Activity

The District added capital assets in 2017 through repairs and replacement of aged equipment and addition of new equipment. These assets included the purchase of a 2016 Massey Ferguson Tractor with a 22-ft Diamond Rear Cradle 50-in boom mower ($121,031 new), purchase of a Diamond 48-in boom saw head ($9,259 replacement), engine repairs to a 2005 Spray Truck ($2,724 repair), engine repairs to a 2011 Spray Truck ($9,562 repair), replacement of a piston pump on a 2012 Alamo 25-ft boom mower ($9,556 repair), and the purchase of two Dell desktop computers ($1,908 replacement).

"New" means a piece of equipment not previously inventoried by the District – the actual equipment may be new or used. "Replacement" means a piece of equipment currently inventoried is being replaced. "Repair" means an existing piece of vehicle/equipment underwent significant repair work to keep it functioning.

No additional long-term debt was incurred and current long-term debt is zero ($0).

Description of Currently Known Facts Expected To Have a Significant Effect on Financial Position

The District's user fee structure does not differentiate between developed and undeveloped parcels. Therefore, future growth or lack thereof, is not significant to the District's revenue stream. Growth, as defined by the development of agricultural lands or the build-out of large tracts of undeveloped residential parcels (not platted), can have a minor impact on increased revenues.

Lands identified as such represent approximately 20 percent of the District and could generate an additional 38 percent in revenues.

The St. Johns Heritage Parkway is now complete from Malabar Road to Highway 192. The parkway goes through undeveloped and agricultural portions of the District that have potential for future growth.

The District retains 20 acres in the western portion of the District. The completed Pace Drive extension to the parkway gives access to the District's property. The District has no immediate plans for developing the 20 acres.

MELBOURNE-TILLMAN
WATER CONTROL DISTRICT

Basic Financial Statements

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September 30,	2017
ASSETS	
Current assets	
Cash and cash equivalents	$ 564,969
Investments, current	1,630,419
Inventories	28,494
Total current assets	2,223,882
Noncurrent assets	
Investments, noncurrent	649,220
Property and equipment, at cost less accumulated depreciation of $11,292,523	961,768
Total noncurrent assets	1,610,988
Total assets	3,834,870
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pension	398,599
Total deferred outflows of resources	398,599
LIABILITIES	
Current liabilities	
Accounts payable	18,725
Accrued wages payable	23,092
Accrued compensated absences	131,904
Total current liabilities	173,721
Noncurrent liabilities	
Post-employment benefit obligations	101,824
Net pension liability	1,014,734
Total noncurrent liabilities	1,116,558
Total liabilities	1,290,279
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - pension	133,218
Total deferred inflows of resources	133,218
NET POSITION	
Invested in capital assets	961,768
Unrestricted	1,848,204
Total net position	$ 2,809,972

The accompanying notes are an integral part of these financial statements.

Melbourne-Tillman Water Control District
Statement of Revenues, Expenses and Changes in Net Position

For the year ended September 30,	**2017**
Operating revenues	
User fees	**$ 1,859,034**
Miscellaneous	**76,175**
Total operating revenues	**1,935,209**
Operating and maintenance expenses	
Wages and benefits	**1,380,768**
Material and supplies	**309,305**
Depreciation expense	**220,529**
Repairs, maintenance and other expenses	**269,549**
Total operating and maintenance expenses	**2,180,151**
Operating loss	**(244,942)**
Non-operating revenues	
Interest income	**41,649**
Total non-operating revenues	**41,649**
Change in net position	**(203,293)**
Net position, beginning of year	**3,013,265**
Net position, end of year	**$ 2,809,972**

The accompanying notes are an integral part of these financial statements.

For the year ended September 30,		**2017**
Cash flows from operating activities		
Cash received from users and government agencies	$	**1,935,209**
Cash paid to suppliers for goods and services		**(529,997)**
Cash paid to employees for services		**(1,315,932)**
Net cash provided by operating activities		**89,280**
Cash flows from capital and related financing activities		
Acquisition of capital assets		**(154,040)**
Net cash used in capital and related financing activities		**(154,040)**
Cash flows from investing activities		
Interest on investments		**41,649**
Proceeds from sale/maturity of investments		**260,346**
Cash proceeds from maturity of certificates of deposit		**264,809**
Net cash provided by investing activities		**566,804**
Increase in cash and cash equivalents		**502,044**
Cash and cash equivalents, beginning of year		**62,925**
Cash and cash equivalents, end of year	$	**564,969**

The accompanying notes are an integral part of these financial statements.

For the year ended September 30,	**2017**
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	**$ (244,942)**
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	**220,529**
Changes in assets and liabilities:	
Decrease in inventories	**48,055**
Decrease in deferred outflows	**124,330**
Increase in accounts payable	**802**
Decrease in net pension liability	**(44,725)**
Decrease in deferred inflows	**(26,235)**
Increase in post-employment benefit obligations	**3,790**
Increase in accrued wages payable	**7,676**
Total adjustments	**334,222**
Net cash provided by operating activities	**$ 89,280**

The accompanying notes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Melbourne-Tillman Water Control District (the "District"), a dependent special District of Brevard County, Florida as defined under Sections 165.031(5) and 200.001(8)(d), Florida Statutes, was restructured October 1, 1986 by Chapter 86-418, Special Acts of Florida, from an independent District to a dependent District, to continue to provide a surface water management system by means of dikes and canals for 62,000 acres of land in South Brevard County. The District was originally organized and established by decree of the Circuit Court of Brevard County on January 7, 1922 as the Melbourne-Tillman Drainage District under Chapter 6458, Laws of Florida, Acts of 1913.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles as applied to governmental units. The more significant of these accounting policies are described below.

A. REPORTING ENTITY

The Melbourne-Tillman Water Control District, a dependent special District of Brevard County, is governed by a seven member Board of Directors comprised of three members appointed by the Brevard County Board of Commissioners, three members appointed by the City of Palm Bay and one member appointed by the City of West Melbourne. Melbourne-Tillman Water Control District does not meet the fiscal dependency and financial benefit or burden criteria and the County has determined that it would not be misleading to exclude the District from its reporting entity; therefore it is not included in the County's financial statements. The District remains a dependent special district of the County because the County approves the user fees.

B. BASIS OF PRESENTATION

The District uses the proprietary fund basis of presentation for its financial statements. The focus of proprietary fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles are those applicable to similar businesses in the private sector. These funds are maintained on the accrual basis of accounting. The following is a description of the sole proprietary fund of the District.

Enterprise Fund - The District operates as an enterprise fund that accounts for the construction, operation and maintenance of the District.

This fund is used to account for the acquisition, operation and maintenance of District facilities and services that are entirely or predominantly self-supported by user fees. The operations of enterprise funds are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise fund is user fees charged to customers for services. Operating expenses include the cost of services, which mainly consists of wages, benefits, and materials, as well as administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. BUDGETARY DATA

The budgetary policy for the Board of Directors of the District involves establishing an annual operating expense budget. A tentative annual operating expense budget is to be adopted prior to July 1 of each year, and approved by the Brevard County Board of County Commissioners. Brevard County Board of County Commissioners action is required for the approval of a supplemental or amended budget.

Budgetary control is maintained at the line item level. The budget is prepared on an accrual basis of accounting, which is consistent with generally accepted accounting principles. All appropriations that are not expensed or committed lapse at year end.

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

E. ASSETS, LIABILITIES AND NET POSITION

1. Deposits and Investments

Cash and cash equivalents include amounts in demand deposits and all highly liquid debt instruments with original maturities of three months or less. Banks and savings and loans must meet the criteria to be a qualified public depository as described in the Florida Security for Public Deposits Act in accordance with Chapter 280, Florida Statutes before any investment of public funds can be made with them.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES AND NET POSITION (Continued)

1. Deposits and Investments (continued)

The investing of public funds with the State Board of Administration ("Florida Prime") is governed by Section 218.407, Florida Statutes. The investments with the State Board of Administration and Florida Counties Investment Trust consist largely of Federal Agency Obligations, Certificates of Deposit, Repurchase Agreements, Bankers Acceptance and Commercial Paper.

The District's investment in the Florida Prime is reported at amortized cost. The fair value of the District's position in the pool is equal to the value of pooled shares.

The District pools the investments of its governmental funds. Investment earnings of the pool are allocated to the participating funds at the end of each month based on the ratio of each participant funds' investment to the total pooled investment.

The District also invests in certificates of deposit held by a bank, which are held to maturity and are nonparticipating interest-earning investment contracts. These certificates of deposit are valued at cost plus accrued interest per GASB 31.

2. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market method. Inventories consist of herbicides and supplies held for use in maintaining the canals.

3. Property and Equipment

Land, buildings, improvements and equipment are valued at historical cost or at fair market value for those assets contributed.

Depreciation of the District's exhaustible fixed assets is charged as an expense against their operations and is closed to net position. Accumulated depreciation is reported on the District's statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25 years
Improvements other than buildings	5-25 years
Equipment	5-7 years

4. Liabilities and Net Position

All liabilities associated with the activity of the District are included in the statement of net position. The reported net position is segregated into separate components.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES AND NET POSITION (Continued)

5. Accrued Compensated Absences

All regular full-time employees of the District are eligible for annual leave. Each employee working a normal week earns vacation leave at certain rates depending on the employee's length of service. All annual leave is accrued when earned in the statement of net position.

Sick leave is accumulated at a rate of 8 hours per month with less than 10 years of service, and at a rate of 12 hours per month with greater than 10 years of service. Sick leave may be accumulated up to 960 hours. Employees may trade earned sick leave for vacation leave or for payment up to a total of 320 hours annually. Employees who resign in good standing will be paid for half of any unused sick leave up to a maximum of 480 hours.

6. Defined Benefit Pension Plans

The District participates in cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State, the Florida Retirement System. For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plan's fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The District's employer contributions are recognized when due, and the District has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plan.

F. REVENUES

The District is permitted by state law to levy user fees. The user fees assessed are computed by the designation of land classification to parcels of land, based on three different classifications of land use, multiplied by a specified billing rate. The billing rate used has been determined by the Board of Directors and approved by Brevard County Commission.

User fee assessment and collection have been consolidated with Brevard County. A service fee is paid to the County for a proportionate share of the tax roll cost. The County tax collector periodically remits collections and sends invoices monthly for the collection fees. Brevard County's assessments calendar is as follows:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. REVENUES (Continued)

All property taxes, user fees and non-ad valorem assessments considered a part of the County tax for enforcement and collection purposes remaining unpaid at May 30 are subject to a tax certificate sale by the Tax Collector.

The District also recognizes revenue from the issuance of permits, interest earnings on investments, charges for services and other miscellaneous sources.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from management's estimates.

H. SUBSEQUENT EVENTS

Subsequent events have been reviewed through the date of the auditors' report, which is the date the financial statements were available to be issued.

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

At September 30, 2017, the District's carrying amount of cash deposits was $564,569 and the bank balance was $569,857. In addition, the District reported petty cash of $400. As of September 30, 2017, the District maintains cash balances at several banks that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act.

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2017, the District had the following investments:

		Investment Maturities (in years)						
Investment type	Cost Plus Accrued Interest	Less than 1	1 - 5	6 - 10	More than 10	Rating	Agency
Certificates of Deposit	$ 649,220	$ -	$ 649,220	$ -	$ -	NR	
	$ 649,220	$ -	$ 649,220	$ -	$ -		

Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

The Florida Prime is an external investment pool that meets all of the necessary criteria to elect to measure all of the investments in Florida Prime at amortized cost. Therefore, the District's investment in Florida Prime is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares. As of September 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Investments in external pools, though measured at fair value, are not categorized within the fair value hierarchy. The District had $1,630,419 in investments in the SBA Florida Prime at September 30, 2017.

Credit risk

Fixed income securities have inherent financial risks, including credit risk and interest rate risk. Credit risk for fixed income securities is the risk that the issuer will not fulfill its obligations. As of September 30, 2017, the District's investment in the Florida Prime was rated AAAm by Standard & Poor's.

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk

A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. A portfolio's WAM is the dollar weighted average maturity.

The WAL of Florida Prime at September 30, 2017 was 80 days.

The WAM of Florida Prime at September 30, 2017 was 51 days.

Foreign currency risk

The District's investments were not exposed to any foreign currency risk during the period of October 1, 2016 through September 30, 2017.

Concentration of credit risk

Concentration of credit risk is an increased risk of loss that occurs as more investments are acquired from one issuer (i.e. lack of diversification). The District's investment policy does not specifically address concentration of credit risk.

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. CAPITAL ASSETS

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

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 277,820	$ -	$ -	$ 277,820
Rights-of-way	1	-	-	1
Total capital assets, not being depreciated	277,821	-	-	277,821
Capital assets, being depreciated:				
Buildings	399,629	-	-	399,629
Improvements other than buildings				
Outfalls	7,043,643	-	-	7,043,643
Water control structure	1,105,535	-	-	1,105,535
Site plan improvements	489,606	-	(1,096)	488,510
Equipment				
Vehicles and heavy equipment	2,689,142	152,132	(3,405)	2,837,869
Small equipment	56,148	-	(3,850)	52,298
Office furniture and fixtures	54,904	1,908	(7,826)	48,986
Total capital assets being depreciated	11,838,607	154,040	(16,177)	11,976,470
Less accumulated depreciation for:				
Buildings	(271,395)	(13,216)	-	(284,611)
Improvements other than buildings				
Outfalls	(7,032,680)	(3,907)	-	(7,036,587)
Water control structure	(1,094,345)	(3,197)	-	(1,097,542)
Site plan improvements	(255,778)	(39,482)	1,096	(294,164)
Equipment				
Vehicles and heavy equipment	(2,347,972)	(151,680)	3,405	(2,496,247)
Small equipment	(38,753)	(6,929)	3,850	(41,832)
Office furniture and fixtures	(47,248)	(2,118)	7,826	(41,540)
Total accumulated depreciation	(11,088,171)	(220,529)	16,177	(11,292,523)
Total capital assets being depreciated, net	750,436	(66,489)	-	683,947
Business-type activities capital assets, net	$ 1,028,257	$ (66,489)	$ -	$ 961,768

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. CAPITAL ASSETS (Continued)

Depreciation expense for the year ended September 30, 2017 was $220,529.

The rights-of-way consist of canals and rights of access to the canals acquired by the District at the inception of the District. Due to the uncertainty of the fair market value, management determined all the rights-of-way were recorded at a nominal value of $1 in total, as of inception of the District.

C. OPERATING LEASES

The District leases office equipment under a non-cancellable operating lease. The following schedule represents minimum future expense related to this lease.

Year ending September 30,		
2018	$	1,118
Total minimum future lease expense	$	1,118

Lease expense for the year ended September 30, 2017 was $1,491.

D. COMPENSATED ABSENCES

Following is a summary of changes in compensated absences for the year ended September 30, 2017.

September 30,		2016		Additions		Reductions		2017
Compensated Absences	$	125,819	$	144,607	$	(138,522)	$	131,904

E. RETIREMENT PLAN

Defined Benefit Plans

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

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. RETIREMENT PLAN (Continued)

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

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

Benefits Provided

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

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

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer's contribution rates as of September 30, 2017, were as follows:

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. RETIREMENT PLAN (Continued)

	FRS	HIS
Regular class	6.26%	1.66%
Special risk class	21.61%	1.66%
Senior management service class	21.05%	1.66%
Elected officials	43.84%	1.66%
DROP from FRS	11.60%	1.66%

The employer's contributions for the year ended September 30, 2017, were $64,704 to the FRS Pension Plan and $14,523 to the HIS Program.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2017, the District reported a liability for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program. The net pension liabilities were measured as of June 30, 2017. The District's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	$ 717,706	$ 297,028
Proportion at:		
Current measurement date	0.002426377%	0.002777920%
Prior measurement date	0.002710380%	0.003059705%
Pension expense	$ 111,350	$ 17,827

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. RETIREMENT PLAN (Continued)

	FRS		HIS	
	Deferred Outlfows of Resources	Deferred Inflows of Resources	Deferred Outlfows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 65,868	$ 3,976	$ -	$ 618
Changes in assumptions	241,200	-	41,752	25,684
Net difference between projected and actual earnings on pension plan investments	-	17,787	165	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,974	49,970	11,526	35,183
Employer contributions subsequent to the measurement date	17,210	-	3,904	-
Total	$ 341,252	$ 71,733	$ 57,347	$ 61,485

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2018. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2018	$ 28,899	$ 77
2019	91,666	77
2020	63,244	77
2021	10,964	1,649
2022	43,168	(1,499)
Thereafter	14,368	(8,423)
Total	$ 252,309	$ (8,042)

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. RETIREMENT PLAN (Continued)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2017. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2017. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2016, rolled-forward using standard actuarial procedures. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.10%	N/A
Discount rate	7.10%	3.58%

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

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

The following changes in key actuarial assumptions occurred in 2017:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.60% to 7.10%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 2.85% to 3.58%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. RETIREMENT PLAN (Continued)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.0%	3.0%
Fixed income	18%	4.5%	4.4%
Global equity	53%	7.8%	6.6%
Real estate	10%	6.6%	5.9%
Private equity	6%	11.5%	7.8%
Strategic investments	12%	6.1%	5.6%
Total	100%		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.10%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.58% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

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

	FRS			HIS		
	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Employer's proportionate share of the net pension liability	$ 1,299,005	$ 717,706	$ 235,095	$ 338,948	$ 297,028	$ 262,111

Pension Plans' Fiduciary Net Position

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

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. RETIREMENT PLAN (Continued)

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2017, totaled $4,191.

F. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Plan description

As a dependent District of Brevard County, Florida (the "County"), the District is a member of the County's benefit plan. The Brevard County Board of County Commissioners (the "Board") administers a single employer defined benefit healthcare plan (the "Plan") that provides health care benefits including medical coverage and prescription drug benefits to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the District is required to provide eligible retirees (as defined in the County's pension plan) the opportunity to participate in this Plan at the same cost that is applicable to active employees.

Employees who are active participants in the Plan at the time of retirement and are either age 62 with completion of six years of service or have 30 years of service are eligible to receive benefits. The District's portion of the Plan includes 8 retirees and spouses receiving benefits and has a total of 47 active participants and dependents. Of that total, 39 are not yet eligible to receive benefits.

Benefit provisions can only be amended by the Board. On at least an annual basis, and prior to the enrollment process, the Board approves the rates for the coming year for the retiree, employee and County contributions. The Board or District does not issue stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the District's basic financial statements.

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Funding policy

The maximum employer contribution target is 56% of the annual premium cost of the Plan. The annual premium costs are between $4,056 and $8,616 for retirees and spouses under age 65 and between $1,872 and $6,756 for retirees and spouses over age 65. Employees hired prior to January 1, 2006 are eligible to receive 100% of the earned percentage of benefits for their lifetime upon attainment of age 62 and completion of six years of service or upon completing 30 years of service, if earlier. Employees hired on or after January 1, 2006 are eligible to receive a graduated earned percentage of benefits upon retirement based on years of service.

For the year ended September 30, 2017, the portion of contribution attributed to the District is $2,630, which includes both an estimate of the implied subsidy described above and the explicit subsidy paid on behalf of eligible retirees.

Annual OPEB cost and net OPEB obligation

The District's annual Other Postemployment Benefits ("OPEB") cost (expense) is calculated based on the annual required contribution (the "ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year ended September 30, 2017, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$	9,201
Interest on net OPEB obligation		980
Adjustment to annual required contribution		(3,761)
Annual OPEB cost (expense)		6,420
Contributions made		(2,630)
Increase in net OPEB obligation		3,790
Net OPEB obligation – beginning of year		98,034
Net OPEB obligation – end of year	$	101,824

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years ending September 30, 2017 was as follows:

For the fiscal year ended September 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2017	$ 6,420	41%	$ 101,824
2016	$ 6,287	41%	$ 98,034
2015	$ 14,544	181%	$ 160,234

Funded status and funding progress

Because the Plan has more than 200 members, the Board is required to obtain an actuarial valuation at least every two years. The most recent actuarial valuation was performed as of October 1, 2015. Accordingly, the Board will be required to obtain a subsequent actuarial valuation within two years of that date. For the year ended September 30, 2017, the actuarial accrued liability for benefits for the District was estimated by the actuary to be $75,029, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was $610,069, and the ratio of unfunded actuarial accrued liability (the "UAAL") to the covered payroll was 13.0%.

Although the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may be, deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage and changes in marital status, could result in actual costs being less or greater than estimated.

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

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point.

NOTE 2: DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 7.75% investment rate of return and an annual healthcare cost trend rate of 6.33% initially, reduced by decrements to an ultimate rate of 5% after five years. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The UAAL is being amortized using a level-percentage of compensation over a maximum allowable period of 30 years.

NOTE 3: RELATED PARTY TRANSACTIONS

Due to the District's structure and the nature in which Board Members are appointed, the County is considered a related party to the District. During the year ended September 30, 2017, the District paid tax assessment and collection fees to the County of $40,947.

NOTE 4: RISK MANAGEMENT

The District is exposed to various risks of loss including, but not limited to theft, natural disasters, damage to or destruction of assets, equipment, and monetary assets as well as liability for personal injury, property damage and consequence of public officials. In order to limit this exposure, the District purchases insurance related to property and inland marine coverage, general liability, public officials and employment practices liability, automobile, crime, workers' compensation, pollution liability and common declaration and endorsements to cover heavy equipment. Settled claims have not exceeded the coverage in any of the past three fiscal years and there has not been a reduction in coverage levels for the fiscal year ended September 30, 2017.

NOTE 5: FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2018. The statements address:

- OPEB—accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

The District is currently evaluating the effects that these statements will have on its 2018 financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Melbourne-Tillman Water Control District
Schedule of Proportionate Share of Net Pension Liability
Last Four Fiscal Years

Florida Retirement System (FRS)*

	2017	2016	2015	2014
District's proportion of the net pension liability	**0.0024%**	0.0027%	0.0025%	0.0026%
District's proportionate share of the net pension liability	**$ 717,706**	$ 684,373	$ 327,442	$ 156,994
District's covered-employee payroll	**$ 639,294**	$ 758,656	$ 769,218	$ 767,263
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**112.27%**	90.21%	42.57%	20.46%
Plan fiduciary net position as a percentage of the total pension liability	**83.89%**	84.88%	92.00%	96.09%

Health Insurance Subsidy (HIS)*

	2017	2016	2015	2014
District's proportion of the net pension liability	**0.0028%**	0.0031%	0.0030%	0.0029%
District's proportionate share of the net pension liability	**$ 297,028**	$ 356,596	$ 307,877	$ 266,699
District's covered-employee payroll	**$ 639,294**	$ 758,656	$ 769,218	$ 767,263
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**46.46%**	47.00%	40.02%	34.76%
Plan fiduciary net position as a percentage of the total pension liability	**1.64%**	0.97%	0.50%	0.99%

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

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

Melbourne-Tillman Water Control District
Schedule of Contributions
Last Four Fiscal Years

Florida Retirement System (FRS)

	2017	2016	2015	2014
Contractually required contribution	**$ 64,704**	$ 69,492	$ 61,808	$ 56,361
Contributions in relation to the contractually required contribution	**(64,704)**	(69,492)	(61,808)	(56,361)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -
District's covered-employee payroll	**610,069**	726,968	$ 769,218	$ 767,263
Contributions as a percentage of covered-employee payroll	**10.61%**	9.56%	8.04%	7.35%

Health Insurance Subsidy (HIS)

	2017	2016	2015	2014
Contractually required contribution	**$ 14,523**	$ 15,432	$ 11,540	$ 9,771
Contributions in relation to the contractually required contribution	**(14,523)**	(15,432)	(11,540)	(9,771)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -
District's covered-employee payroll	**610,069**	726,968	$ 769,218	$ 767,263
Contributions as a percentage of covered-employee payroll	**2.38%**	2.12%	1.50%	1.27%

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

Melbourne-Tillman Water Control District
Other Post-Employment Benefits - Schedule of Funding Progress
Most Recent Actuarial Valuation

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL a % of Covered Payroll ((b-a)/c)
10/1/2011	$ -	$ 753,827	$ 753,827	0.0%	$ 1,106,426	68.1%
10/1/2013	$ -	$ 270,300	$ 270,300	0.0%	$ 769,218	35.1%
10/1/2015	$ -	$ 75,029	$ 75,029	0.0%	$ 726,968	10.3%

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

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

To the Board of Directors
Melbourne-Tillman Water Control District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Melbourne-Tillman Water Control District as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Melbourne-Tillman Water Control District's basic financial statements, and have issued our report thereon dated February 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Melbourne-Tillman Water Control 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Melbourne-Tillman Water Control District's internal control. Accordingly, we do not express an opinion on the effectiveness of Melbourne-Tillman Water Control 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 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 Melbourne-Tillman Water Control District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

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

Melbourne, Florida
February 21, 2018

Carr, Riggs & Ingram, LLC
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INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Board of Directors
Melbourne-Tillman Water Control District

Report on the Financial Statements

We have audited the financial statements of the Melbourne-Tillman Water Control District as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated February 21, 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.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on 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 February 21, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of the Melbourne-Tillman Water Control District is disclosed in the footnotes. Melbourne-Tillman Water Control District has no component units.

Financial Condition and Management

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

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Melbourne-Tillman Water Control District for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

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

Melbourne, Florida
February 21, 2018

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

To the Board of Directors
Melbourne-Tillman Water Control District

We have examined Melbourne-Tillman Water Control District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management of Melbourne-Tillman Water Control District is responsible for Melbourne-Tillman Water Control District's compliance with the specified requirements. Our responsibility is to express an opinion on Melbourne-Tillman Water Control District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Melbourne-Tillman Water Control District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Melbourne-Tillman Water Control District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including as assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on Melbourne-Tillman Water Control District's compliance with specified requirements.

In our opinion, Melbourne-Tillman Water Control District complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017.

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

Carr, Riggs & Ingram, L.L.C

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