

# **MERRITT ISLAND PUBLIC LIBRARY DISTRICT**

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and general fund of Merritt Island Public Library District (the "District"), 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.

### **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 Merritt Island Public Library District, as of September 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the District as a whole. The accompanying Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Governmental Fund, for the year ended September 30, 2017 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America, in our opinion, the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Governmental Fund, for the year ended September 30, 2017 is fairly stated in all material respects in relation to the basic financial statement as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Merritt Island Public Library District's internal control over financial reporting and compliance.

*McDonough CPA Solutions, PA*

March 26, 2018  
Melbourne, Florida

## **Management's Discussion and Analysis**

As management of Merritt Island Public Library District (the "District" or "Library"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2017 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget.

Because the information contained in the Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements found listed on the table of content of this report.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,837,263 (net position).
- Of the \$1,837,263 reported as net position, \$1,377,001 represented investments in capital assets (net of accumulated depreciation) and \$460,262 represented unrestricted assets.
- The District's general fund reported an ending fund balance of \$470,657, an increase of \$107,678 in comparison with prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$320,657.

### **Overview of the Financial Statements**

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

- Supplemental information concerning the Library's Schedule of Revenues and Expenses – Budget and Actual - General Fund.
- Notes to the financial statements which convey a full understanding of the District's financial statement data.

- Required supplemental information concerning the District's proportionate share of the net pension liability and required contributions for the cost-sharing defined-benefit pension plans in which it participates.

### **Government-wide financial statements.**

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

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

The government-wide financial statements distinguish functions of the District that are principally supported by the ad valorem tax revenue received from the taxpayers. The governmental activities of the District include: general government, primarily consisting of culture and recreational activities.

**Fund financial statements.** A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities or objectives. The District, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-side financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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



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

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

### **Government-Wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$1,837,263 at the close of the most recent fiscal year.

Governmental activities. Governmental activities has an decrease of \$7,176 in the District's net position, for the year ended September 30, 2017. The comparison to prior years follows.

The following summarizes the District's net position at September 30, 2016 and 2017 and the changes between the two years.

	<b>Governmental Activities</b>		
	<b>2017</b>	<b>2016 as restated</b>	<b>Variance</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 370,165	\$ 264,262	\$ 105,903
Investments	104,426	103,697	729
Capital assets, net	1,377,001	1,490,511	(113,510)
Total assets	1,851,592	1,858,470	(6,878)
Deferred outflows of resources	11,926	14,855	(2,929)
Total assets	1,863,518	1,873,325	(9,807)
<b>LIABILITIES</b>			
Current liabilities	3,934	4,980	(1,046)
Noncurrent liabilities	18,267	18,463	(196)
Total liabilities	22,201	23,443	(1,242)
Deferred inflows of resources	4,054	5,443	(1,389)
<b>NET POSITION</b>			
Net investment in capital assets	1,377,001	1,490,511	(113,510)
Unrestricted	460,262	353,928	106,334
Total net position	\$ 1,837,263	\$ 1,844,439	\$ (7,176)

Capital assets' decrease and the overall decrease in net position is due mainly to current year depreciation.

The following summarizes the District's change in net position at September 30, 2017 and 2016 and the differences between the two years after eliminating compensated absences.

<b>CHANGES IN NET POSITION</b>			
<b>Governmental Activities</b>			
	<b>2017</b>	<b>2016</b>	<b>Variance</b>
Revenues			
Taxes	\$ 250,049	\$ 248,932	\$ 1,117
Interest	3,990	1,686	2,304
Other income	8,664	5,610	3,054
Donations	228	345	(117)
	<u>262,931</u>	<u>256,573</u>	<u>6,358</u>
Expenses			
Cultural and recreation	<u>270,107</u>	<u>258,752</u>	<u>11,355</u>
	<u>270,107</u>	<u>258,752</u>	<u>11,355</u>
Change in net position	(7,176)	(2,179)	(4,997)
Net position - beginning	<u>1,844,439</u>	<u>1,846,618</u>	<u>(2,179)</u>
Net position - ending	<u>\$ 1,837,263</u>	<u>\$ 1,844,439</u>	<u>\$ (7,176)</u>

The decrease in the District's net position is due mainly to the increase in depreciation.

### **Financial Analysis of the Government's Funds**

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financial requirements. Unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

The District's governmental fund balance increased by \$107,678 during the current fiscal year to \$470,657 at September 30, 2017.

### **General Fund Budgetary Highlights**

For the year ended September 30, 2017, actual revenues were more than budgeted amounts by \$11,988 and expenditures were less than originally budgeted by \$95,690. The expenditure variance is primarily attributable to expenditure decreases of \$7,067 for books and periodicals expenses, \$4,654 in repairs and maintenance, \$9,500 in contingency, \$12,000 in equipment outlays, and \$65,000 in outlays for capital improvements.

## **Capital Asset and Debt Administration**

**Capital Assets.** The District's investment in capital assets for its governmental activities as of September 30, 2017 amounts to \$1,377,001, or 74 percent of total net assets. This investment in capital assets includes all assets, (land, buildings, fixtures, and equipment) net of accumulated depreciation.

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

### **Economic Factors.**

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

### **Request for Information**

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

**Merritt Island Public Library District**  
**STATEMENT OF NET POSITION**  
**September 30, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 370,165
Certificate of deposit	104,426
Total current assets	<u>474,591</u>

**CAPITAL ASSETS**

Capital assets not being depreciated:	
Land	51,600
Capital assets, net of accumulated depreciation:	
Buildings and improvements	1,216,506
Furniture and fixtures	108,895
Total capital assets, net	<u>1,377,001</u>
Total assets	1,851,592

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred assumptions, contributions, and experience	11,926
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**LIABILITIES**

Accounts payable	3,934
Noncurrent liabilities:	
Net pension liability	18,267
Total liabilities	<u>22,201</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred change in proportion, (NPL), contributions, experience, and investments	4,054
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**NET POSITION**

Net investment in capital assets	1,377,001
Unrestricted	460,262
Total net position	<u><u>\$ 1,837,263</u></u>

**Merritt Island Public Library District**  
**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2017**

<u>Fuctions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental Activities:					
Cultural and recreation	\$ 270,107	\$ -	\$ -	\$ -	\$ (270,107)
Total governmental activities	<u>\$ 270,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(270,107)</u>
General revenues:					
					250,049
					3,990
					8,664
					228
					<u>262,931</u>
					(7,176)
					1,875,377
					(30,938)
					<u>1,844,439</u>
					<u>\$ 1,837,263</u>

**Merritt Island Public Library District**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**September 30, 2017**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 370,165
Certificate of deposit	<u>104,426</u>
Total assets	<u><u>\$ 474,591</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 3,934
<b>FUND BALANCES</b>	
Committed	150,000
Unassigned	<u>320,657</u>
Total fund balances	<u>470,657</u>
Total liabilities and fund balances	<u><u>\$ 474,591</u></u>

**Merritt Island Public Library District**  
**RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUNDS**  
**TO STATEMENT OF NET POSITION**  
**September 30, 2017**

Fund balance - total governmental funds		\$ 470,657
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	\$ 2,989,788	
Accumulated depreciation	<u>(1,612,787)</u>	1,377,001
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources	\$ 11,926	
Deferred inflows for resources	<u>(4,054)</u>	7,872
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds.		
		<u>\$ (18,267)</u>
Total net position of governmental activities		<u><u>\$ 1,837,263</u></u>

**Merritt Island Public Library District**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2017**

	<u>General Fund</u>
Revenues	
Taxes	\$ 250,049
Interest	3,990
Other income	8,664
Donations	<u>228</u>
Total revenues	<u>262,931</u>
Expenditures	
Culture and recreation:	
Books and periodicals	32,933
Dues and memberships	225
Insurance	12,855
Office expense	12,652
Payroll	18,058
Payroll taxes	1,381
Shared county/sub-contract labor	24,622
Professional fees	7,450
Programs	8,642
Publicity	12,583
Repairs and maintenance	12,346
Pension expense	1,375
Tax service collection fees	9,872
Travel and training	<u>259</u>
Total expenditures	<u>155,253</u>
Excess (deficiency) of revenues over (under) expenditures	107,678
Fund balances, beginning of the year	<u>362,979</u>
Fund balances, end of the year	<u><u>\$ 470,657</u></u>



**Merritt Island Public Library District**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2017**

Net change in fund balances - total governmental funds	\$ 107,678
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

Capital outlay	\$ -	
Provision for depreciation	<u>(113,510)</u>	(113,510)

Some expenses reported in the Statement of Activities require the use of current financial resources and, therefore, are reported as expenditures in governmental funds.

Increase in pension expense	<u>(1,344)</u>
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Change in net position of governmental activities	<u><u>\$ (7,176)</u></u>
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**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Reporting entity**

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

**2. Government-wide and fund financial statements**

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

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

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

Indirect expenses are costs the District has allocated to various functions. Program revenues consist of charges for services, operating grants and contribution, and capital grants and contributions.

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

The District reports the following major governmental fund:

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

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

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

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

4. Use of estimates

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

5. Cash and cash equivalents

The District considers cash and highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

6. Certificate of deposit

The certificate of deposit is recorded at cost and held for investment and mature September 2017, and bears interest at 1.25%. Interest is recognized when received and is paid monthly.

7. Deferred Outflows and Inflows of Resources

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

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

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**8. Capital assets**

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

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

**9. Fund balances**

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

Nonspendable fund balance – amounts that cannot be spent whether because it is not in spendable form or because of legal or contractual requirements. The Library had no nonspendable fund balance amounts at September 30, 2017.

Restricted Fund balance – amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. There is no restricted fund balance at September 30, 2017.

Committed fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the Library's highest level of decision-making authority. The Library's Board of Trustees addresses these commitments through formal board action prior to the Library's fiscal year end. The Library had a committed fund balance of \$150,000 at September 30, 2017 for roof replacement. Every year since 2014, the District was committed \$50,000 per year.

Assigned fund balance – amounts the District intends to use for specific purposes that are neither considered restricted or committed. Assignments can be made by the Trustees. The Library had no assigned fund balance amounts at September 30, 2017.

Unassigned fund balance – Includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes. The Library has an unassigned fund balance of \$320,657 in its general fund.

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Fund balances (continued)

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

The Library does not have a formal minimum fund balance policy, or has it established any stabilization arrangements within fund balances.

10. Income tax

The District qualifies as a tax-exempt entity and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

**NOTE B – CASH DEPOSITS**

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

The deposits with the State Board of Administration (the "SBA") are composed of local governmental surplus funds deposited therein by units of local government and are insured by the multiple financial institution collateral pool established by Florida Statutes. Section 218.407, Florida Statutes governs the investing of public funds with the SBA.

The Florida PRIME is operated as a "2a7-like" money market fund. As of September 30, 2017, the District had \$302,555 in the Florida PRIME.

The following deposit and investment accounts were included in the various funds at September 30, 2017:

<u>Deposits and insured investments</u>	<u>Duration</u>	<u>Fair Value</u>
Deposits	N/A	\$ 67,610
Deposits with the State Board of Administration:		
Florida Prime	35 days	<u>302,555</u>
		<u>\$ 370,165</u>

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE C – CAPITAL ASSETS**

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

	Balance at Beginning of the year, as restated	Additions	Deletions	Balance at the end of the year
<u>Governmental activities:</u>				
Capital assets, not depreciated:				
Land	\$ 51,600	\$ -	\$ -	\$ 51,600
Capital assets depreciated:				
Building and improvements	2,531,140	-	-	2,531,140
Furniture, fixtures and equipment	407,048	-	-	407,048
Total capital assets depreciated	2,938,188	-	-	2,938,188
Less accumulated depreciation:				
Building and improvements	1,230,896	83,738	-	1,314,634
Furniture, fixtures and equipment	268,381	29,772	-	298,153
Total accumulated depreciation	1,499,277	113,510	-	1,612,787
Total governmental activities capital assets, net	<u>\$ 1,490,511</u>	<u>\$ 113,510</u>	<u>\$ -</u>	<u>\$ 1,377,001</u>

Depreciation expense for the year ended is charged to culture and recreation.

**NOTE D – PROPERTY TAXES**

The legislative act, which created the Merritt Island Public Library District, allowed for the levy of ad valorem taxes. The mileages allowed under the Act and the mileages levied are \$.0815 per thousand of assessed value for 2017. Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed in October and are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available if paid in the month of March.

**NOTE E – RISK MANAGEMENT PROGRAMS**

The District has purchased commercial property insurance and various other insurance coverages from third parties to cover other risks that the District may be exposed to. There have been no significant reductions in coverages during 2017. Settled claims resulting from the risks described above have not exceeded the insurance coverage in any of the previous three years.

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING**

*Florida Retirement System*

General Information – Each qualified and participating employee of the District is included in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services. Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (“SBA”).

As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district board, state university, community college, or a participating city or special district with in the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

[www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

1. Pension description

The pension plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits under the pension plan are computed on the basis of age, average final compensation, and service credit. For pension plan members enrolled before July 1, 2011, regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service.



**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)**

*Florida Retirement System (continued)*

1. Pension description (continued)

Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

For plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular and Senior Management Service class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

2. Funding policy

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2016 through June 30, 2017, were as follows: Regular – 5.8%; Senior Management Service -20.05%; and DROP participants -11.33%.

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)**

*Florida Retirement System (continued)*

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

These employer contribution rates include 1.66% HIS Plan subsidy for the periods July 1, 2016 through June 30, 2017.

The District's contributions, including employee contributions ,if any, to the pension plan totaled \$1,065 for the fiscal year ended September 30, 2017.

At September 30, 2017, the District reported a liability of \$12,106, for its proportionate share of the Pension 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 2016-2017 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was .000040927% percent, which was a decrease of 7.3% percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$2,025. 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	\$ 67
Change in assumptions	4,068	-
Net difference between projected and actual earnings on Pension Plan investments	-	300
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	2,725	1,784
District Pension Plan contributions subsequent to the measurement date	266	-
	<u>\$ 8,170</u>	<u>\$ 2,151</u>

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)**

*Florida Retirement System (continued)*

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

The deferred outflows of resources related to the Pension Plan, totaling \$266, 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2018	\$ 636
2019	1,678
2020	1,454
2021	740
2022	976
Thereafter	270
	<u>\$ 5,754</u>

4. Actuarial assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumption. Applied to all periods included in the measurement:

Inflation	2.6%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment Expense, including inflation

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

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.

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)**

*Florida Retirement System (continued)*

4. Actuarial assumptions (continued)

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 for the based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed income	18.0%	4.7%	4.6%	4.6%
Global equity	53.0%	8.1%	6.8%	17.2%
Real estate (property)	10.0%	6.4%	5.8%	12.0%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	11.1%
	<u>100%</u>			
Assumed Inflation - Mean			2.6%	1.9%

5. Discount rate

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

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)**

*Florida Retirement System (continued)*

6. Sensitivity of net position liability to changes in the discount rate

The following represents 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 one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	<u>\$ 21,911</u>	<u>\$ 12,106</u>	<u>\$ 3,965</u>

7. Pension plan fiduciary net position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

8. Payables to the pension plan

At June 30, 2017, the District reported zero payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2017.

**NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY**

*Health Insurance Subsidy (HIS)*

1. Plan description

The HIS plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-Administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)**

*Health Insurance Subsidy (HIS) (continued)*

1. Plan description (continued)

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. To be eligible to receive these benefits, a retiree under a State-Administered retirement system must provide proof of health insurance coverage, which may include Medicare.

2. Funding policy

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 RS members. For the fiscal year ended September 30, 2017, the HIS contribution for the period October 1, 2016 through September 30, 2017 was .39%. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled \$305 for the fiscal year ended September 30, 2017.

3. 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 \$6,160 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 District's 2016-2017 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was .000057618% percent, which was a decrease of 8.2% percent from its proportionate share measured as of June 30, 2016.

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)**

*Health Insurance Subsidy (HIS) (continued)*

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$681. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 13
Change in assumptions	866	533
Net difference between projected and actual earnings on Pension Plan investments	3	-
Changes in proportion and differences between District Pension Plan contributions and proportionate share of contributions	2,816	1,357
District's Pension Plan contributions subsequent to the measurement date	71	-
	<u>\$ 3,756</u>	<u>\$ 1,903</u>

The deferred outflows of resources related to the HIS plan, totaling \$71 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, 2017.

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)**

*Health Insurance Subsidy (HIS) (continued)*

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2018	\$ 313
2019	312
2020	312
2021	420
2022	483
Thereafter	(58)
	<u>\$ 1,782</u>

4. 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	2.6%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.58%

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

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.



**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)**

*Health Insurance Subsidy (HIS) (continued)*

5. 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.

6. Sensitivity of net position liability to changes in the discount rate

The following represents 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 one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
District's proportionate share of the net pension liability	\$ 7,030	\$ 6,161	\$ 5,437

7. Pension plan fiduciary net position

Detailed information regarding the HIS plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

8. Payables to the pension plan

At June 30, 2017, the District reported zero for outstanding contributions to the HIS plan required for the fiscal year ended September 30, 2017.

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2017**

**NOTE H – PRIOR PERIOD ADJUSTMENT**

An error resulting in the misstatement of accumulated depreciation was discovered by management during the fiscal year ended September 30, 2017. An adjustment totaling \$30,938 for accumulated depreciation was recorded to restate net position at October 1, 2016.

**NOTE I – SUSEQUENT EVENTS**

The District evaluated subsequent events through March 26, 2018 the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Florida Retirement System and Health Insurance Subsidy**  
**Last 10 Fiscal Years\***

**FLORIDA RETIREMENT SYSTEM**

	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered- employee payroll	District's proportionate share of the net pension liability (asset) as of percentage of its covered- employee payroll	Plan fiduciary net position as of percentage of the total pension liability
<b>2017</b>	0.000040927%	\$ 12,106	\$ 18,058	67.0%	83.9%
<b>2016</b>	0.000044163%	\$ 11,151	\$ 19,062	58.5%	84.9%
<b>2015</b>	0.000016028%	\$ 2,070	\$ 11,341	18.3%	92.0%
<b>2014</b>	0.000021473%	\$ 1,310	\$ 17,919	7.3%	99.1%

**HEALTH INSURANCE SUBSIDY**

	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered- employee payroll	District's proportionate share of the net pension liability (asset) as of percentage of its covered- employee payroll	Plan fiduciary net position as of percentage of the total pension liability
<b>2017</b>	0.000057618%	\$ 6,161	\$ 18,058	34.1%	1.64%
<b>2016</b>	0.000062739%	\$ 7,312	\$ 19,062	38.4%	0.97%
<b>2015</b>	0.000021216%	\$ 2,164	\$ 11,341	19.1%	0.50%
<b>2014</b>	0.000028648%	\$ 2,679	\$ 17,919	15.0%	0.99%

\*The amounts presented for each fiscal year were determined as of June 30,

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

Note 2: The Plan's fiduciary net position as a percentage of total pension liability is published in the FRS Comprehensive Annual Financial Report (See FRS CAFR information).

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT  
SCHEDULE OF PENSION CONTRIBUTIONS  
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY  
Last 10 Fiscal Years\***

**FLORIDA RETIREMENT SYSTEM**

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
<b>2017</b>	\$ 266	\$ (266)	\$ -	\$ 18,058	1.5%
<b>2016</b>	\$ 1,065	\$ (1,065)	\$ -	\$ 19,062	5.6%
<b>2015</b>	\$ 1,077	\$ (1,077)	\$ -	\$ 11,341	9.5%
<b>2014</b>	\$ 279	\$ (279)	\$ -	\$ 17,919	1.6%

**HEALTH INSURANCE SUBSIDY**

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
<b>2017</b>	\$ 71	\$ (71)	\$ -	\$ 18,058	0.4%
<b>2016</b>	\$ 305	\$ (305)	\$ -	\$ 19,062	1.6%
<b>2015</b>	\$ 322	\$ (322)	\$ -	\$ 11,341	2.8%
<b>2014</b>	\$ 81	\$ (81)	\$ -	\$ 17,919	0.5%

\*The amounts presented for each fiscal year were determined as of June 30,

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

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**For the year ended September 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 243,615	\$ 246,443	\$ 250,049	\$ 3,606
Interest	1,000	1,000	3,990	2,990
Other income	3,000	3,000	8,664	5,664
Donations	1,500	500	228	(272)
Total revenues	<u>249,115</u>	<u>250,943</u>	<u>262,931</u>	<u>11,988</u>
Expenditures				
Current:				
Books and periodicals	40,000	40,000	32,933	7,067
Dues and memberships	500	500	225	275
Insurance	11,000	12,000	12,855	(855)
Office expense	8,000	8,000	12,652	(4,652)
Payroll	21,000	21,000	18,058	2,942
Payroll taxes	1,700	1,700	1,381	319
Shared county/sub-contract labor	24,500	25,393	24,622	771
Professional fees	7,500	7,500	7,450	50
Programs	12,065	10,000	8,642	1,358
Publicity	8,000	8,000	12,583	(4,583)
Repairs and maintenance	17,000	17,000	12,346	4,654
Pension expense	2,100	2,100	1,375	725
Tax service collection fees	10,000	10,000	9,872	128
Travel and training	1,250	1,250	259	991
Equipment purchases	10,000	12,000	-	12,000
Capital improvements	65,000	65,000	-	65,000
Contingency	9,500	9,500	-	9,500
Total expenditures	<u>249,115</u>	<u>250,943</u>	<u>155,253</u>	<u>95,690</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	107,678	107,678
Fund balances, beginning of year, as restated			<u>362,979</u>	
Fund balances, end of year			<u>\$ 470,657</u>	

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**September 30, 2017**

**NOTE A – SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

1. Ten-year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for only those years for which information is available for the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS) plans.

2. Fiduciary net position

The FRS and HIS plans' fiduciary net position as a percentage of the total pension liability is published in the FRS Comprehensive Annual Financial Report (See Note 4 for reference to FRS CAFR information).

**NOTE B – SCHEDULE OF CONTRIBUTION**

1. Ten-year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for only those years for which information is available for the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS) plans.

**NOTE C – BUDGETARY INFORMATION**

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

- a. In compliance with the amended act which established the District, each year a public hearing of the budget is held, and the adopted budget must be published in three public places, with a copy sent to the County.
- b. A tentative budget is sent to the Brevard County Property Appraiser within 35 days after the District receives the Certification of Taxable Value from the Brevard County Tax Collector. A date for the first public hearing accompanies the tentative budget so that the Property Appraiser can enclose a notice of dates and locations of public hearings with the notices of proposed taxes that are mailed to the taxpayers.

**MERRITT ISLAND PUBLIC LIBRARY DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**September 30, 2017**

**NOTE C – BUDGETARY INFORMATION (continued)**

- c. The first public hearing must be held within 65 to 80 days from the date the Certification of Value was received. Notice of the final hearing must be published within 15 days after the first public hearing is held, and it must be held within two (2) to five (5) days from this date. At this meeting, the final budget is adopted, and a newspaper advertisement is published at this time. The final budget is sent to the County the first week of October.

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

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

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

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



## **COMPLIANCE INFORMATION**

**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 Directors  
Merritt Island Public Library District  
Merritt Island, 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 Merritt Island Public Library District 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, and have issued our report thereon dated March 26, 2018.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiencies in internal control, described in the accompanying management letter [2017-01] that we consider to be a significant deficiency.

## **Compliance and other matters**

As part of obtaining reasonable assurance about whether the Merritt Island Public Library District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McDonough CPA Solutions, PA*

March 26, 2018  
Melbourne, Florida

## MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the financial statements of Merritt Island Public Library District, which comprise the net position and governmental fund revenues, expenditures, and changes in fund balance / statement of activities as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 26, 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 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. Disclosures in that report, which are dated March 26, 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 annual financial audit report. In connection with our audit, the District did not have prior year findings.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is *Merritt Island Public Library District*.

## **Financial Condition**

Section 10.554(1)(i)5a. And 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the 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 District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)(2)., Rules of the Auditor General, requires we communicate any recommendations to improve financial management. In connection with our audit, see finding 2017-01 found on the Management Letter Findings and Recommendations.

## **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10556(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 Merritt Island Public Library 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 these two reports were in agreement.

## **Additional Matters**

Section 10.554(1)(e)3., Rules of the Auditor General, requires that we 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 have any such findings.

**Purpose of this Letter**

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

*McDonough CPA Solutions, PA*

March 26, 2018  
Melbourne, Florida



## MANAGEMENT LETTER FINDINGS AND RECOMMENDATIONS

### Current Year Finding

#### 2017-01 Depreciation calculation

**Criteria:** The District has adopted a \$750 capitalization limit for assets which have a useful life of one year or more. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ten to forty years for building and improvements and five to ten years for furniture and equipment.

**Condition:** Depreciation was not calculated for the full year on assets on the government-wide financial statements in prior years.

**Cause:** Depreciation was calculated by the prior auditor incorrectly, however, the District failed to review the calculation.

**Effect:** Accumulated Depreciation was understated by \$30,938 and Net Position was overstated by \$30,938 on the government-wide financial statements.

**Recommendation:** The District should review all calculations and adjustments made by their auditors.

**Management's response:** *The District agrees depreciation was not calculated correctly in prior years, as a result of relying on their prior auditors. However, the District has reviewed the current year calculation for accuracy and will review all calculations and adjustments recommended in the future.*

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

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

We have examined Merritt Island Public Library District's (the "District") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the 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 and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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

*McDonough CPA Solutions, PA*

March 26, 2018  
Melbourne, Florida