

IRL COUNCIL
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

**IRL COUNCIL
TABLE OF CONTENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Page(s)</u>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 6
Basic Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Balance Sheet – Governmental Funds	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	13
Notes to Financial Statements	14 – 27
Required Supplementary Information	
Schedule of Proportionate Share of Net Pension Liability – FRS/HIS	28
Schedule of Contributions – FRS/HIS	29
Schedule of Changes in Total OPEB Liability and Related Ratios	30
Other Reports	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31 – 32
Management Letter of Independent Auditors' Required by Chapter 10.550, Rules of the Auditor General	33 – 34
Independent Accountants' Examination Report	35
Management's Response to Findings	36

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
IRL Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the IRL Council (the Council), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditors consider 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the IRL Council, as of September 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

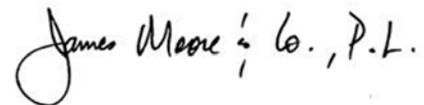
As discussed in Note (8) to the financial statements, in 2018 the Council adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effects of these standards have also been applied to the financial statements as of and for the year ended September 30, 2017. See Note (11) for the effect of GASB 75 on beginning net position. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019, on our consideration of the Council'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 the Council's internal control over financial reporting and compliance.



Daytona Beach, Florida
June 21, 2019

IRL COUNCIL MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the IRL Council (the "Council"), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended September 30, 2018. We encourage readers to view the information presented herein in conjunction with additional information furnished in the Council's financial statements following this narrative.

FINANCIAL HIGHLIGHTS

The Council's net position at year end September 30, 2018 is \$1,464,410. Last fiscal year, September 30, 2017, the Council's net position was \$1,532,569. This is a decrease in net position of \$66,265 from last year. Net position includes both restricted funds to be used for specific projects and expenses, and unrestricted funds to be used for any lawful project or expense of the Council.

During the current year, total expenses were \$2,229,487 versus total revenue of \$2,195,201.

USING THIS ANNUAL REPORT

The report consists of three components: 1) government-wide financial statements providing information about the activities of the Council as a whole; 2) fund financial statements providing information about the significant funds of the Council; 3) notes to the financial statements providing supplementary and explanatory information.

Government-wide Financial Statements - The first two statements, "Statement of Net Position" and "Statement of Activities", are designed to provide a broad overview of the Council's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide information about the Council's financial status as a whole. These statements include details of income during the year and a breakdown by category of expenses for activities and administration of the Council. The statements include all assets, deferred outflows of financial resources, liabilities, and deferred inflows of financial resources using the accrual basis of accounting. This means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Council's net position and changes in net position. The net position – the difference between assets and deferred outflows, and liabilities and deferred inflows – is an important measure of the Council's financial health.

Fund Financial Statements - The next three statements provide a detailed look at the Council's major fund. The Council, like all government entities, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements. The fund statements do not reflect the activities of the Council as a whole. All of the funds of the Council are included in only one category: governmental funds. All activities of the governmental funds are included in only one fund: General Fund.

Notes to the financial statements provide additional detail concerning the financial activities and financial balances of the Council. Additional information, if applicable, about the accounting practices of the Council, investments of the Council, long term debt, and pension plan are some of the items included in the *notes to the financial statements*.

**IRL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

IRL Council - Net Position

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2018</u>	<u>2017</u>	
Assets			
Cash	\$ 2,497,092	\$ 2,108,175	\$ 388,917
Receivables - funding agencies	-	26,891	(26,891)
Due from other governments	200,942	409,024	(208,082)
Capital Assets, net	21,082	-	21,082
Prepaid expenses and other assets	-	1,819	(1,819)
Due from other governments, restricted	57,724	55,872	1,852
Restricted cash	180,988	279,477	(98,489)
Total Assets	<u>\$ 2,957,828</u>	<u>\$ 2,881,258</u>	<u>\$ 76,570</u>
Deferred Outflows of Resources			
Deferred outflows related to pension	<u>\$ 278,806</u>	<u>\$ 198,459</u>	<u>\$ 80,347</u>
Liabilities			
Accounts payable	\$ 607,378	\$ 567,604	\$ 39,774
Unearned revenue	762,500	712,500	50,000
Noncurrent liabilities			
Due within one year:			
Compensated absences payable	21,101	23,034	(1,933)
Due in more than one year:			
Compensated absences payable	2,344	2,559	(215)
Total OPEB liability	2,383	-	2,383
Net pension liability	345,705	229,794	115,911
Total Liabilities	<u>\$ 1,741,411</u>	<u>\$ 1,535,491</u>	<u>\$ 205,920</u>
Deferred Inflows of Resources			
Deferred inflows related to pension	\$ 30,175	\$ 11,657	\$ 18,518
Deferred inflows related to OPEB	638	-	638
Total deferred inflows of resources	<u>\$ 30,813</u>	<u>\$ 11,657</u>	<u>\$ 19,156</u>
Net Position			
Net investment in capital assets	\$ 21,082	\$ -	\$ 21,082
Restricted for specialty license plate related expenditures	238,712	335,349	(96,637)
Unrestricted	1,204,616	1,197,220	7,396
Total Net Position	<u>\$ 1,464,410</u>	<u>\$ 1,532,569</u>	<u>\$ (68,159)</u>

**IRL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

IRL Council - Changes in Net Position

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2018</u>	<u>2017</u>	
<u>Revenues</u>			
Member Contributions	\$ 1,500,000	\$ 1,500,000	\$ -
Federal grants	548,727	409,024	139,703
State specialty license plates	130,663	133,786	(3,123)
Miscellaneous	15,811	4,644	11,167
Total Revenue	<u>\$ 2,195,201</u>	<u>\$ 2,047,454</u>	<u>\$ 147,747</u>
<u>Expenses</u>			
Current:			
Physical Environment -			
- conservation and resource management	\$ 2,206,278	\$ 1,493,431	\$ 712,847
Capital outlay	23,209	-	23,209
Total Expenses	<u>\$ 2,229,487</u>	<u>\$ 1,493,431</u>	<u>\$ 736,056</u>
Increase (Decrease) in Net Position	<u>\$ (34,286)</u>	<u>\$ 554,023</u>	<u>\$ (588,309)</u>

Governmental Activities

Revenues for the Council's activities in this fiscal year totaled \$2,195,201. These revenues represent an increase of \$147,747 from the previous year total of \$2,047,454. This increase over the prior year is primarily due to higher grant revenues.

In the current year there was \$130,663 of State specialty license plate revenue. This revenue is restricted to activities that support water quality improvement, habitat restoration, and public awareness and education of the economically significant Indian River Lagoon. The amount of this revenue in the prior year was \$133,786. This is a decrease of \$3,123. Since this revenue is solely based on the voluntary purchase of the specialty license plate by the public, this amount is expected to fluctuate. \$171,428 were expensed during the fiscal year ended September 30, 2018 for those activities. The amount of this expense in the prior year was \$64,309. This increase of \$107,118 over the prior year is the result of the program growing as 2017 was the first year of spending in the specialty license plate program.

Expenses totaled \$2,229,487, an increase of \$736,056 from the previous year total of \$1,493,431. This increase in expenditures is primarily the result of an increase in strategic projects which is one of the main functions of the district. This increase was expected as the district became more established. Fund balance decreased this year by \$34,286.

**IRL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

IRL Council - General Fund Balance Sheet

	<u>Governmental Funds</u>		<u>Increase (Decrease)</u>
	<u>2018</u>	<u>2017</u>	
<u>Current and other assets</u>	\$ 2,936,746	\$ 2,881,258	\$ 55,488
<u>Total assets</u>	<u>\$ 2,936,746</u>	<u>\$ 2,881,258</u>	<u>\$ 55,488</u>
<u>Liabilities</u>	\$ 1,369,878	\$ 1,280,104	\$ 89,774
<u>Fund balance</u>	<u>1,566,868</u>	<u>1,601,154</u>	<u>(34,286)</u>
<u>Total liabilities and fund balance</u>	<u>\$ 2,936,746</u>	<u>\$ 2,881,258</u>	<u>\$ 55,488</u>

Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The budget for the fiscal year ended September 30, 2018 was amended to increase revenues by \$77,050 due to an additional estimated federal grant revenues. Also there was an increase in appropriations by \$1,576,528. This was due to anticipated projects that might start getting funded in the current year. Actual general fund expenditures did not exceed appropriations during the current fiscal year.

The Council performed favorably regarding net revenues to expenditures compared to the budget. Total actual revenues came in \$106,849 under the final budgeted total revenues. This was mainly due to timing of the expected grant revenue reimbursements.

There was a positive variance in total annual expenditures. Actual fiscal year expenditures were \$1,597,041 less than final budgeted expenditures, primarily due to projects which will carry over into the next fiscal year.

Economic Factors and the 2018-2019 Budget

The Indian River Lagoon National Estuary Program (Program) was historically funded with EPA Section 320 grant funds. Those funds were used for local cost-share projects in support of the Indian River Lagoon Comprehensive Conservation and Management Plan (CCMP). Over the past several years those revenues were approximately \$600,000 per year. Council member contributions have increased funding of the Program to \$1.5 million. This increased funding expanded the number of CCMP projects in the IRL watershed.

Contacting the Council's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the IRL Council Main Office, at Indian River Lagoon National Estuary Program, 1235 Main Street, Sebastian, Florida 32958.

IRL COUNCIL
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Governmental Activities
ASSETS	
Cash	\$ 2,497,092
Due from other governments	200,942
Capital assets, net	21,082
Due from other governments, restricted	57,724
Restricted cash	180,988
Total assets	2,957,828
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	278,806
 LIABILITIES	
Accounts payable	607,378
Unearned revenue	762,500
Noncurrent liabilities:	
Due within one year:	
Compensated absences payable	21,101
Due in more than one year:	
Compensated absences payable	2,344
Total OPEB liability	2,383
Net pension liability	345,705
Total liabilities	1,741,411
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	30,175
Deferred inflows related to OPEB	638
Total deferred inflows of resources	30,813
 NET POSITION	
Net investment in capital assets	21,082
Restricted for specialty license plate related expenses	238,712
Unrestricted	1,204,616
Total net position	\$ 1,464,410

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

**IRL COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Program Revenues			Net Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities				
Physical environment - conservation and resource management	\$ 2,261,466	\$ -	\$ 2,179,390	\$ -
Total governmental activities	\$ 2,261,466	\$ -	\$ 2,179,390	\$ (82,076)
General revenues:				
Interest				15,811
Total general revenues				15,811
Change in net position				(66,265)
Net position at beginning of year, as restated				1,530,675
Net position at end of year				\$ 1,464,410

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

IRL COUNCIL
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund
ASSETS	
Cash	\$ 2,497,092
Due from other governments	200,942
Due from other governments, restricted	57,724
Restricted cash	180,988
Total assets	\$ 2,936,746
LIABILITIES	
Accounts payable and accrued expenses	\$ 607,378
Unearned revenue	762,500
Total liabilities	1,369,878
FUND BALANCE	
Restricted for specialty license plate related expenditures	238,712
Unassigned	1,328,156
Total fund balance	1,566,868
Total Liabilities and Fund Balance	\$ 2,936,746

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

IRL COUNCIL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balance - general fund \$ 1,566,868

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Total governmental capital assets	23,209
Less: accumulated depreciation	(2,127)

On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the Council's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(345,705)
Deferred outflows related to pensions	278,806
Deferred inflows related to pensions	(30,175)

On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the statement of net position, the Council's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to OPEB are also reported.

Total OPEB liability	(2,383)
Deferred inflows related to OPEB	(638)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of the following:

Compensated absences	(23,445)
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Total net position - governmental activities \$ 1,464,410

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

IRL COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund
REVENUES	
Member contributions	\$ 1,500,000
Federal grants	548,727
State specialty license plates	130,663
Miscellaneous	15,811
Total revenues	2,195,201
EXPENDITURES	
Current:	
Physical environment - conservation and resource management	2,206,278
Capital outlay	23,209
Total expenditures	2,229,487
Net change in fund balance	(34,286)
Fund balance at beginning of year	1,601,154
Fund balance at end of year	\$ 1,566,868

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

IRL COUNCIL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balance - total general fund \$ (34,286)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.

Capital outlay expenditures	23,209
Depreciation expense	(2,127)

Governmental funds report contributions to defined benefit pension/OPEB plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension/OPEB expense in the statement of activities are amounts required to be amortized related to pension deferred inflows/outflows.

Change in net pension liability and deferred inflows/outflows related to pensions	(54,082)
Change in total OPEB liability and deferred inflows/outflows related to OPEB	(1,127)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:

Change in compensated absences liability	2,148
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Change in net position of governmental activities \$ (66,265)

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

IRL COUNCIL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Member contributions	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ -
Federal grants	600,000	677,050	548,727	(128,323)
State specialty license plates	125,000	125,000	130,663	5,663
Miscellaneous	-	-	15,811	15,811
Total revenues	<u>2,225,000</u>	<u>2,302,050</u>	<u>2,195,201</u>	<u>(106,849)</u>
EXPENDITURES				
Current:				
Physical environment - conservation and resource management	2,250,000	3,826,528	2,206,278	1,620,250
Capital outlay	-	-	23,209	(23,209)
Total expenditures	<u>2,250,000</u>	<u>3,826,528</u>	<u>2,229,487</u>	<u>1,597,041</u>
Net change in fund balance	<u>(25,000)</u>	<u>(1,524,478)</u>	<u>(34,286)</u>	<u>1,490,192</u>
Fund balance at beginning of year	1,601,154	1,601,154	1,601,154	-
Fund balance at end of year	<u><u>\$ 1,576,154</u></u>	<u><u>\$ 76,676</u></u>	<u><u>\$ 1,566,868</u></u>	<u><u>\$ 1,490,192</u></u>

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

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) Summary of Significant Accounting Policies:

The financial statements of the IRL Council (the Council) have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the Council's significant accounting policies:

(a) **Reporting entity**—The Council is a tax-exempt association of Counties and other non-federal agencies, which is organized to achieve the goals adopted in the Comprehensive Conservation and Management Plan for the Indian River Lagoon Estuary Program through detailed action plans prepared by each member agency of the association. The Council was established by interlocal agreement February 19, 2015, pursuant to the authority of Section 163.01, *Florida Statutes*. The basic operations of the Council are financed primarily through grants from the Environmental Protection Agency, contributions from the member counties and two Water Management Districts.

Criteria for determining if other entities are potential component units that should be reported within the Council's basic financial statements are identified and described in the GASB Codification. The application of these criteria provides for identification of any entities for which a financial benefit and burden relationship between the primary government (the Council) and the organization exist, and other organizations for which the nature and significance of their relationship with the Council are such that exclusion would cause the Council's financial statements to be misleading. Based on the application of these criteria, no potential component units were identified.

(b) **Government-wide financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the primary government.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Grants are recognized in the fiscal year in which all eligibility requirements are met. Sometimes the Council will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Council's policy to consider restricted net position to have been used before unrestricted net position is applied.

(c) **Governmental fund financial statements**—The governmental fund financial statements are presented using the current financial resources and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Council considers all revenues available if they are collected within 60 days after year-end, with the exception of grant and contract fees for which the period is nine months. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, the Council funds certain programs by a combination of specific cost reimbursement grants, other grants, and general revenues. Therefore, when program expenses are incurred and there are restricted and unrestricted net positions available to finance the program, it is the Council's policy to first apply cost-reimbursement grant resources to such programs, followed by other grants and then general revenues.

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

The Council reports the following major governmental fund:

General Fund – This fund is used to account for the accumulation and expenditure of resources that are used for general purposes of the Council and do not require the establishment of any other type of fund.

(d) **Budgeting**—The annual budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America. A tentative budget is adopted by the Board after appropriate public hearing of each year covering the proposed operations and requirements for the ensuing fiscal year. By September 30, the Board, after the appropriate public hearing, adopts the final budget. Budgetary control is maintained at the program level. The governing body may, at any time within a fiscal year or up to 60 days following the end of the fiscal year, amend a budget for that year by resolution.

(e) **Cash deposits and investments**—Cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

(f) **Receivables**—At September 30, 2018, there was no allowance for doubtful accounts since all receivables were deemed collectible by management.

(g) **Unearned revenue**—Unearned revenue represents membership fees collected in advance of the membership period and grants received before eligibility requirements are met.

(h) **Compensated absences**—The Council records the vested portion of accumulated unused compensated absences, if material, at year-end based on each employee's unused hours and rate of pay, including the Council's share of payroll taxes. All compensated absences are accrued when incurred in the government-wide financial statements as accrued liabilities. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Estimates have been utilized to determine the amount to report as the current portion.

(i) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Council is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e., when the government assesses, levies, charges, or otherwise mandates payment of resources from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the Board of Directors are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. The Board of Directors expressly delegates to the Executive Director authority under this policy to assign funds for particular purposes based on intent which can be expressed by (a) the Board of Directors itself or (b) a body (a budget or finance committee, for example) or official (Executive Director) to which the Board of Directors has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, it is the Council's policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unassigned.

(j) **Deferred outflows and inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The Council has two items, deferred outflows related to pensions and deferred outflows related to OPEB in the government-wide statement of net position, which qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Council has two items, deferred inflows related to pensions and deferred inflows related to OPEB in the government-wide statement of net position which qualifies for reporting in this category. Deferred inflows and outflows related to pensions are discussed further in Note (9) and deferred inflows and outflows related to OPEB are discussed in Note (8).

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) **Capital Assets**—Property, plant, and equipment with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Contributed assets are recorded at acquisition value as of the date received.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives. Land and construction in progress are not depreciated. Other useful lives are as follows:

Assets	Years
Buildings and improvements	30 - 50
Improvements other than buildings	3 - 20
Machinery and equipment	3 - 20

(2) **Reconciliation of Government-Wide and Fund Financial Statements:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Cash Deposits and Investments:**

As of September 30, 2018, all Council cash deposits were held in qualified public depositories pursuant to Chapter 280, Florida Statutes, the *Florida Security for Public Deposits Act* (the Act), and, accordingly, are entirely insured by Federal Depository Insurance Corporation (FDIC) insurance or collateralized pursuant to the Act. The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125%, may be required if deemed necessary. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney. Under the Act, the Council is authorized to deposit funds only in qualified public depositories.

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(4) Risk Management:

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. In order to limit its exposure to these risks, the Council is a participant in the Florida Municipal Insurance Trust for general and auto liability. The insurance program purchases excess and specific coverages from third party carriers. Participants in the program are billed annually for their portion of the cost of the program adjusted for actual experience during the period of coverage. Participants are not assessed for unanticipated losses incurred by the program. There have been no significant reductions in insurance coverage during the year ended September 30, 2018. Settled claims resulting from the risks described above have not exceeded the insurance coverage for the past year.

(5) Compensated Absences:

Upon beginning employment, regular and full-time employees and introductory employees working a full-time schedule will begin to earn paid time off (PTO) according to the schedule below. The amount of PTO accrued by employees throughout each year increases with the length of their employment as shown in the following schedule:

Years of Eligible Service	PTO Hours Biweekly	PTO Hours Each Year
Upon initial eligibility	7.38	192
After five years	8.31	216
After ten years	9.85	256
After twenty years	10.15	264

The “PTO Year” under this policy and accrual schedule will be based on an employee’s anniversary date. PTO is paid at the employee’s base pay rate at the time of the absence. It does not include overtime or any special forms of compensation such as incentives, commissions, bonuses, or shift differentials.

In the event that available PTO is not used by the end of an employee’s PTO Year, employees may carry as many as 175 hours of unused time forward to the next PTO Year. Accumulation of hours may exceed 175 hours in a PTO Year; however, an employee may only carry 175 hours forward from one PTO Year to the next and all remaining PTO will be forfeited. Upon termination of employment, employees will be paid for unused PTO that has been earned through the last day of work.

A summary of changes in accrued compensated absences follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 25,593	\$ 30,141	\$ (32,289)	\$ 23,445	\$ 21,101
Governmental activities –					
Total long-term liabilities	\$ 25,593	\$ 30,141	\$ (32,289)	\$ 23,445	\$ 21,101

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(6) Commitments and Contingencies:

During the ordinary course of its operations, the Council is party to various claims, legal actions and complaints. Some of these matters are covered by the Council insurance program. While the ultimate effect of any litigation cannot be ascertained at this time, management believes, based on the advice of legal counsel, that there will be no material effect on the Council's financial position and/or that the Council has sufficient insurance coverage to cover any claims.

(7) Capital Assets:

For the year ended September 30, 2018, capital asset activity was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	\$ -	\$ 23,209	\$ -	\$ 23,209
Total capital assets, being depreciated	-	23,209	-	23,209
Accumulated depreciation for:				
Machinery and equipment	-	(2,127)	-	(2,127)
Total accumulated depreciation	-	(2,127)	-	(2,127)
Total capital assets being depreciated, net of accumulated depreciation	-	21,082	-	21,082
Capital assets, net	\$ -	\$ 21,082	\$ -	\$ 21,082

Total depreciation expense charged to governmental activities – physical environment was \$2,127.

(8) Other Postemployment Benefits (OPEB):

Plan Description—The Brevard County Board of County Commissioners (Board) administers a single employer defined benefit healthcare plan (the "Plan"), under which, as provided for under the Interlocal Agreement between Brevard County, Florida and the Council, the Council employees are covered. The Plan provides health care benefits including medical coverage and prescription drug benefits to both active and eligible retired employees and their dependents. Florida Statutes require local governments to offer the same health and hospitalization insurance coverage to retirees and their eligible dependents as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. For the retired employees and their eligible dependents, the cost of any such continued participation may be paid by the employer or by the retired employees. Full-time employees of the Council are eligible to participate in the Plan. 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 also eligible to participate. The Plan does not issue a publicly available financial report.

Effective October 1, 2017, the Board implemented GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*, for certain post-employment healthcare benefits provided by the Board. The Board elected to implement the requirements of this statement prospectively. No assets are held in trust for payment of the OPEB liability as the Board had no OPEB liability other than as arising from the implicit rate subsidy, as discussed in the following paragraph.

**IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

(8) Other Postemployment Benefits (OPEB): (Continued)

Retirees and their dependents are permitted to remain covered under the County’s respective health care plans as long as they pay a full premium applicable to the coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08, Florida Statutes. The Other Post-Employment Benefit Plan does not issue a stand-alone report.

Benefits Provided—The Other Post Employment Benefit Plan is a single-employer benefit plan administered by the Board. Retirees are charged whatever the insurance company charges for the type of coverage elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the County is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee. GASB No. 75 calls this the “implicit rate subsidy.”

Plan Membership—At October 1, 2017, the date of the latest actuarial valuation, plan participation consisted of 3 covered individuals, including all 3 active employees and no inactive employees. Plan participation does not include any inactive employees entitled to but not yet receiving benefits.

Total OPEB Liability—The Council’s total OPEB liability of \$2,383 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Salary increases	3.50%
Discount rate	4.24%
Healthcare cost trend rate	7.00%
Retirees’ share of benefit-related costs	100.00%

The Council does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index. Mortality rates were based on the RP-2014 Fully Generational Mortality Table for males and females with mortality improvement projected using scale RP-2018.

Changes in the OPEB liability for the fiscal year ended September 30, 2018, were as follows:

	Total OPEB Liability
Balance at September 30, 2017	<u>\$ 1,894</u>
Changes for a year:	
Service cost	2,839
Interest	69
Differences between expected and actual experience	(2,310)
Changes of assumptions	<u>(109)</u>
Net changes	489
Balance at September 30, 2018	<u>\$ 2,383</u>

**IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

(8) Other Postemployment Benefits (OPEB): (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the Council calculated using the discount rate of 4.24%, as well as what the Council's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.24%) or 1% higher (5.24%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 2,533	\$ 2,383	\$ 2,246

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:

The following presents the total OPEB liability of the Council as well as what the Council's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.00%) or 1% higher (8.00%) than the current healthcare cost trend rates (7.00%):

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 2,232	\$ 2,383	\$ 2,551

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

For the year ended September 30, 2018; the Council recognized OPEB expense of \$234. At September 30, 2018, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 541
Changes of assumptions	-	97
Total	\$ -	\$ 638

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

Year Ended September 30,	Amount
2019	\$ (80)
2020	(80)
2021	(80)
2022	(80)
2023	(80)
Thereafter	(238)

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(9) Florida Retirement System:

Plan Description and Administration

The Council participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the Council's full-time employees. The FRS is a defined benefit pension plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the Council are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS 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. For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received 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. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

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

**IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

(9) Florida Retirement System: (Continued)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

Contributions

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees, other than those in DROP from FRS who are not required to contribute, is 3.0%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended September 30, 2018, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2018	After June 30, 2018
Regular Class	7.92%	8.26%
Senior Management Service Class (SMSC)	22.71%	24.06%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll and are included in the above employer rates.

**IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

(9) **Florida Retirement System:** (Continued)

The Council and employee contributions to FRS and HIS for the plan year ended June 30, 2018, are as follows:

Council Contributions – FRS	\$	25,198
Council Contributions – HIS		4,068
Employee Contributions – FRS		7,351

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2018, the Council reported a net pension liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	\$ 266,318
HIS	79,387
Total	\$ 345,705

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the Council’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2018 and June 30, 2017, the Council’s proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2018	2017
FRS	0.000884176%	0.000504697%
HIS	0.000750055%	0.000752943%

For the plan year ended June 30, 2018, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$	67,970
HIS		15,910
Total	\$	83,880

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(9) **Florida Retirement System:** (Continued)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 2.85%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Deferred outflows/inflows related to pensions:

At September 30, 2018, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,561	\$ (819)	\$ 1,215	\$ (135)
Changes of assumptions	87,020	-	8,829	(8,393)
Net different between projected and actual investment earnings	-	(20,576)	48	-
Change in proportionate share	103,720	-	47,011	(252)
Contributions subsequent to measurement date	7,298	-	1,104	-
	<u>\$ 220,599</u>	<u>\$ (21,395)</u>	<u>\$ 58,207</u>	<u>\$ (8,780)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

Year Ended September 30,	Amount
2019	\$ 67,559
2020	56,706
2021	33,338
2022	34,806
2023	14,465
Thereafter	33,355
Total	<u>\$ 240,229</u>

**IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

(9) **Florida Retirement System:** (Continued)

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2017, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The following table shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Long-Term Arithmetic Expected Rate of Return
Cash	1.0%	2.9%
Fixed income	18.0%	4.4%
Global equities	54.0%	7.6%
Real estate	11.0%	6.6%
Private equity	10.0%	10.7%
Strategic investments	6.0%	6.0%
Total	100.0%	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the Council calculated using the current discount rates, as well as what the Council’s net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	7.00%	\$ 486,042	\$ 266,318	\$ 83,825
HIS	3.87%	90,417	79,387	70,192

(10) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2018, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Council’s financial statements.

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(10) **Recent Accounting Pronouncements:** (Continued)

GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.

(11) **Restatement of Net Position:**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued June 2015 and was implemented for the Council, beginning with the year ending September 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This Statement replaces the requirements of GASB Statement No. 45, *Accounting for Postemployment Benefits Other Than Pensions*, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan, for OPEB*, as they relate to OPEB liabilities being recorded in the statements of net position.

The Council's implementation of this Statement has required the restatement of certain liabilities in the statement of net position. GASB No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. Recognition of these liabilities requires a restatement to the prior year's net position.

The impact of the restatement on the governmental activities beginning net position at September 30, 2017, are as follows:

Governmental Activities:

Net position – September 30, 2017, as originally reported	\$ 1,532,569
Recording of beginning OPEB liability	<u>(1,894)</u>
Net position – September 30, 2017, as restated	<u>\$ 1,530,675</u>

IRL COUNCIL
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,		
	2018	2017	2016
Florida Retirement System (FRS)			
Proportion of the net pension liability	0.000884176%	0.000504697%	0.000225310%
Proportionate share of the net pension liability	\$ 266,318	\$ 149,286	\$ 56,891
Covered payroll	245,034	240,048	123,487
Proportionate share of the net pension liability as a percentage of covered payroll	108.69%	62.19%	46.07%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%
Health Insurance Subsidy Program (HIS)			
Proportion of the net pension liability	0.000750055%	0.000752943%	0.000399927%
Proportionate share of the net pension liability	\$ 79,387	\$ 80,508	\$ 46,610
Covered payroll	245,034	240,048	123,487
Proportionate share of the net pension liability as a percentage of covered payroll	32.40%	33.54%	37.74%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%

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

**IRL COUNCIL
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)**

	As of the Plan Year Ended June 30,		
	2018	2017	2016
Florida Retirement System (FRS)			
Contractually required contribution	\$ 25,198	\$ 13,139	\$ 5,495
Contributions in relation to the contractually required contribution	25,198	13,139	5,495
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 245,034	\$ 240,048	\$ 123,487
Contributions as a percentage of covered payroll	10.28%	5.47%	4.45%
Health Insurance Subsidy Program (HIS)			
Contractually required contribution	\$ 4,068	\$ 3,985	\$ 2,050
Contributions in relation to the contractually required contribution	4,068	3,985	2,050
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 245,034	\$ 240,048	\$ 123,487
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%

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

IRL COUNCIL
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS
(UNAUDITED)

	2018
Total OPEB Liability	
Service cost	\$ 2,839
Interest	69
Difference between expected and actual experience	(2,310)
Changes of assumptions	(109)
Benefit payments - implicit rate subsidy	-
Other changes	-
Net change in total OPEB liability	489
Total OPEB liability - beginning of year	1,894
Total OPEB liability - end of year	\$ 2,383

Notes to Schedule:

Valuation date: 10/1/2017

Changes of assumptions. Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	4.24%
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Note 1: GASB 75 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

**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,
IRL Council:

We have audited, 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, the financial statements of the governmental activities and the general fund of the IRL Council (the Council), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated June 21, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described below, that we consider to be a material weakness.

2018-001 – Recording of Year-end Accruals

We noted a \$100,000 invoice relating to services performed for the Council prior to the fiscal year-end was not recorded as an expense and related accounts payable at September 30, 2018. Due to this expense qualifying for grant reimbursement, the related grant revenue and receivable balances were also misstated. It was also discovered \$662,499 of member contribution revenue earned in the year ended September 30, 2018, was not recognized. Proper cutoff at year-end of revenues and expenses are critical for the accuracy of accrual basis of accounting. The effect of these errors could result in the Council presenting materially misstated account balances, which may mislead potential users of the financial statements. We recommend the entity perform a review after year-end as well quarterly to ensure all expense, payable, receivable and revenue items are properly recorded in the correct period.

Compliance and Other Matters

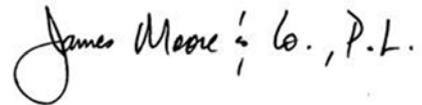
As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

IRL Council's Response to Findings

The Council's response to the findings identified in our audit are described in the accompanying Managements Response to Findings, as listed in the table of contents. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Daytona Beach, Florida
June 21, 2019

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS'
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Board of Directors,
IRL Council:

Report on the Financial Statements

We have audited the financial statements of the IRL Council (the Council), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 21, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, Rules of the Florida Auditor General.

Other 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 Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 21, 2019, 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 such 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 Council was established by an interlocal agreement February 19, 2015, pursuant to the authority of Section 163.01, *Florida Statutes*. There are no component units related to the Council as of September 30, 2018.

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 Council has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the Council 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 Council. It is management's responsibility to monitor the Council'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 that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

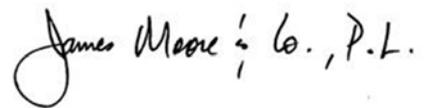
Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Council for the fiscal year ended September 30, 2018, filed with the Florida Department of 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, 2018. 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 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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Daytona Beach, Florida
June 21, 2019

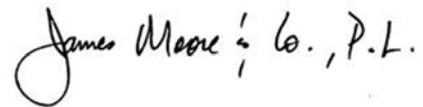
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Board of Directors,
IRL Council:

We have examined the IRL Council's (the Council) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018. Management is responsible for the Council's compliance with those requirements. Our responsibility is to express an opinion on the Council's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Council is in compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, in all material respects. An examination involves performing procedures to obtain evidence about the Council's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material misstatement with compliance with *Local Government Investment Policies*, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the IRL Council complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.



Daytona Beach, Florida
June 21, 2019



Indian River Lagoon National Estuary Program

IRL Council
1235 Main Street, Sebastian, FL 32958
(772)742-2858
IRLCouncil.com

June 21, 2019

Board of Directors
IRL Council
1235 Main Street
Sebastian, Florida 32958

RE: Management Response to James Moore & Co. Audit

Attention IRL Council Board of Directors,

Special District Services, Inc. (SDS), in consultation with IRLNEP staff, have reviewed the audit report for fiscal year 2017-2018 submitted by James Moore & Co., based on the audit activities completed as of June 3, 2019. The audit report identified one finding of material weakness in internal control. SDS has discussed these issues with staff and adjustments to processes have been implemented. Listed below are management's responses to this condition:

Condition 2018-001 Finding: Recording of Year-end Accruals

Management Response: The first invoice for the Manatee Creek Tech Assessment Project was received in January of 2019 but was deemed to be a Fiscal Year 2018 expense. This expense was not accrued due to it being received so late after the end of the fiscal year. This condition was remedied with an adjusting entry. Also, there were some member contribution revenues that were not recorded properly due to timing of collection. Management and accounting staff will review accruals at year-end to ensure all amounts have been appropriately and completely recorded.

Our response to the findings and recommendation are appropriate and fully address the conditions identified in the audit.

Duane E. De Freese PhD
Executive Director
IRL Council

Michael McElligott
Special District Services, Inc.
Accounting Services Provider