

March 28, 2017

To the Board of Directors of
IRL Council:

We have audited the financial statements of the IRL Council (the Council) as of and for the year ended September 30, 2016, and have issued our report thereon dated March 28, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 20, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes considered of internal control over financial reporting as a basis of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Council solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated March 28, 2017.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. We have applied safeguards related to our preparation of the Council's financial statements, including, but not limited to, an assessment of management's skills, knowledge, and experience.

Qualitative Aspects of the Entity's Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the IRL Council is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. There are no such estimates affecting the financial statements at September 30, 2016.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There are no such disclosures affecting the financial statements at September 30, 2016.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards required us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. No such uncorrected misstatements were noted.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- \$32,525 adjustment to reverse compensated absences at the fund level and to record the amount government-wide.
- \$64,595 adjustment to record additional license plate revenue and receivable.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached management representation letter dated March 28, 2017.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the IRL Council, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing IRL Council's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

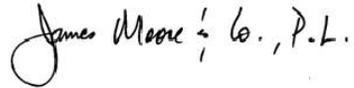
We have made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the required supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Board of Directors of
IRL Council
March 28, 2017
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Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Directors and management of IRL Council and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

JAMES MOORE & CO., P.L.

IRL COUNCIL
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

**IRL COUNCIL
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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, 2016, 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 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 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.

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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, 2016, 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.

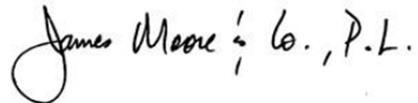
Other Matters

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 March 28, 2017, 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida
March 28, 2017

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, 2016. 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 is \$1,019,365. In future years, we will provide a comparison of this net position to the previous year's net position. Because this is the first year of Council operations we do not offer a comparison. 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 year, total expenses were \$933,880 versus total revenue of \$1,953,245.

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>2016</u>	<u>2015</u>	
Assets			
Cash	\$ 1,368,156	\$ -	\$ 1,368,156
Due from other governments	213,266	-	213,266
Due from other governments, restricted	64,595	-	64,595
Restricted cash	210,000	-	210,000
Total Assets	\$ 1,856,017	\$ -	\$ 1,856,017
Deferred Outflows of Resources			
Deferred outflows related to pension	\$ 93,780	\$ -	\$ 93,780
Liabilities			
Accounts payable	\$ 258,886	\$ -	\$ 258,886
Unearned revenue	550,000	-	550,000
Noncurrent liabilities			
Due within one year:			
Compensated absences payable	15,668	-	15,668
Due in more than one year:			
Compensated absences payable	1,741	-	1,741
Net pension liability	103,501	-	103,501
Total Liabilities	\$ 929,796	\$ -	\$ 929,796
Deferred Inflows of Resources			
Deferred inflows related to pension	\$ 636	\$ -	\$ 636
Net Position			
Restricted for specialty license plate related expenditures	\$ 274,595	\$ -	\$ 274,595
Unrestricted	744,770	-	744,770
Total Net Position	\$ 1,019,365	\$ -	\$ 1,019,365

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

IRL Council - Changes in Net Position

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2016</u>	<u>2015</u>	
<u>Revenues</u>			
Member Contributions	\$ 1,242,125	\$ -	\$ 1,242,125
Federal grants	433,799	-	433,799
State specialty license plates	274,595	-	274,595
Miscellaneous	2,726	-	2,726
Total Revenue	<u>\$ 1,953,245</u>	<u>\$ -</u>	<u>\$ 1,953,245</u>
<u>Expenses</u>			
Current:			
Physical Environment -			
- conservation and resource management	\$ 933,880	\$ -	\$ 933,880
Total Expenses	<u>\$ 933,880</u>	<u>\$ -</u>	<u>\$ 933,880</u>
Increase (Decrease) in Net Position	<u>\$ 1,019,365</u>	<u>\$ -</u>	<u>\$ 1,019,365</u>

Governmental Activities

Revenues for the Council's activities in this fiscal year totaled \$1,953,245. These revenues represent an increase of \$1,953,245 from the previous year. The Council did not exist in the previous year so there is no comparison. In future years we will highlight any increase or decrease from the prior fiscal year.

The \$274,595 of State specialty license plate revenue is restricted to activities that support water quality improvement, habitat restoration, and public awareness and education of the economically significant Indian River Lagoon. No amounts were expensed during the fiscal year ended September 30, 2016.

Expenses totaled \$933,880, an increase of \$933,880 from the previous year. Again, in future years we will highlight any increase or decrease from the prior fiscal year.

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

IRL Council - General Fund Balance Sheet

	<u>Governmental Funds</u>		<u>Increase (Decrease)</u>
	<u>2016</u>	<u>2015</u>	
<u>Current and other assets</u>	\$ 1,856,017	\$ -	\$ 1,856,017
<u>Total assets</u>	<u>\$ 1,856,017</u>	<u>\$ -</u>	<u>\$ 1,856,017</u>
Liabilities	\$ 808,886	\$ -	\$ 808,886
<u>Fund balance</u>	<u>1,047,131</u>	<u>-</u>	<u>1,047,131</u>
<u>Total liabilities and fund balance</u>	<u>\$ 1,856,017</u>	<u>\$ -</u>	<u>\$ 1,856,017</u>

Fund balance increased this year by \$1,047,131.

Budgetary Highlights

The Council performed favorably regarding net revenues to expenditures compared to the budget. Total actual revenues came in \$21,755 under the final budgeted total revenues. This was mainly due to an underestimation in license plate revenues, and timing of the expected grant revenue reimbursements.

There was a positive variance in total annual expenditures. Actual fiscal year expenditures were \$1,068,886 less than final budgeted expenditures, primarily due to encumbrances which will carry over into the next fiscal year.

Economic Factors and the 2016-2017 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 by over \$1.2 million. This increased funding expanded the number of CCMP projects in the IRL watershed.

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

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, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,368,156
Due from other governments	213,266
Due from other governments, restricted	64,595
Restricted cash	210,000
Total assets	<u><u>\$ 1,856,017</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u><u>\$ 93,780</u></u>
 LIABILITIES	
Accounts payable	\$ 258,886
Unearned revenue	550,000
Noncurrent liabilities	
Due within one year:	
Compensated absences payable	15,668
Due in more than one year:	
Compensated absences payable	1,741
Net pension liability	103,501
Total liabilities	<u><u>\$ 929,796</u></u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	<u><u>\$ 636</u></u>
 NET POSITION	
Restricted for specialty license plate related expenditures	\$ 274,595
Unrestricted	744,770
Total net position	<u><u>\$ 1,019,365</u></u>

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

**IRL COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	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	\$ 933,880	\$ -	\$ 1,950,519	\$ -
Total governmental activities	\$ 933,880	\$ -	\$ 1,950,519	\$ -
General revenues:				
Interest				2,726
Total general revenues				2,726
Change in net position				1,019,365
Net position at beginning of year				-
Net position at end of year				\$ 1,019,365

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

IRL COUNCIL
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund
ASSETS	
Cash	\$ 1,368,156
Due from other governments	213,266
Due from other governments, restricted	64,595
Restricted cash	210,000
Total assets	\$ 1,856,017
LIABILITIES	
Accounts payable and accrued expenses	\$ 258,886
Unearned revenue	550,000
Total liabilities	\$ 808,886
FUND BALANCE	
Restricted for specialty license plate related expenditures	\$ 274,595
Unassigned	772,536
Total fund balance	\$ 1,047,131

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, 2016**

Total fund balance - general fund \$ 1,047,131

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

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	(103,501)
Deferred outflows related to pensions	93,780
Deferred inflows related to pensions	(636)

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	(17,409)
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Total net position - governmental activities \$ 1,019,365

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, 2016

	General Fund
REVENUES	
Member contributions	\$ 1,242,125
Federal grants	433,799
State specialty license plates	274,595
Miscellaneous	2,726
Total revenues	1,953,245
 EXPENDITURES	
Current:	
Physical environment - conservation and resource management	906,114
Total expenditures	906,114
 Net change in fund balance	 1,047,131
 Fund balance at beginning of year	 -
 Fund balance at end of year	 \$ 1,047,131

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, 2016

Net change in fund balance - total general fund \$ 1,047,131

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

Governmental funds report contributions to defined benefit pension 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 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 (10,357)

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 (17,409)

Change in net position of governmental activities \$ 1,019,365

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Member contributions	\$ 1,450,000	\$ 1,250,000	\$ 1,242,125	\$ (7,875)
Federal grants	600,000	600,000	433,799	(166,201)
State specialty license plates	125,000	125,000	274,595	149,595
Miscellaneous	-	-	2,726	2,726
Total revenues	2,175,000	1,975,000	1,953,245	(21,755)
EXPENDITURES				
Current:				
Physical environment - conservation and resource management	2,175,000	1,975,000	906,114	1,068,886
Total expenditures	2,175,000	1,975,000	906,114	1,068,886
Net change in fund balance	-	-	1,047,131	1,047,131
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ 1,047,131	\$ 1,047,131

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

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(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 Governmental Accounting Standards Board ("GASB") of Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*. 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.

(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.

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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.

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) **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, 2016, 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:

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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.

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 Organization has one item, deferred outflows related to pensions, which qualify 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. Deferred outflows related to pensions are discussed further in Note (7).

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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 Organization has one item, deferred inflows related to pensions in the government-wide statement of net position, which qualifies for reporting in this category. Deferred inflows related to pensions are discussed further in Note (7).

(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.

(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) **Deposits and Investments:**

At September 30, 2016, the book balance of deposits was \$1,368,156 and the bank balance was \$1,591,452. The Council's bank balances include insured deposits under the Federal Deposit Insurance Corporation and the remaining balances are collateralized pursuant to Chapter 280 of the *Florida Statutes*.

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(4) 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:

<u>Years of Eligible Service</u>	<u>PTO Hours Biweekly</u>	<u>PTO Hours Each Year</u>
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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ -	\$ 28,276	\$ (10,867)	\$ 17,409	\$ 15,668
Governmental activities –					
Total long-term liabilities	<u>\$ -</u>	<u>\$ 28,276</u>	<u>\$ (10,867)</u>	<u>\$ 17,409</u>	<u>\$ 15,668</u>

(5) 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 fiscal year 2016. Settled claims resulting from the risks described above have not exceeded the insurance coverage for the past year.

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(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) 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, 2016, 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 4 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.

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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.

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

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Contributions

The Council participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2016, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Employee Contribution Rate	Employer Contribution Rate
Regular Class	3.00%	7.52%
Senior Management	3.00%	21.77%
Special Risk	3.00%	22.57%
Regular Class Not Eligible for FRS	0.00%	4.49%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

Actual contributions made for Council employees participating in FRS and HIS for the each of last three fiscal years ended September 30 were as follows:

	2016	2015	2014
Organization Contributions – FRS	\$ 19,473	N/A	N/A
Organization Contributions – HIS	5,516	N/A	N/A
Employee Contributions – FRS	9,969	N/A	N/A

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

At September 30, 2016, the Council reported a liability of \$103,501 for its proportionate share of the net pension liability, \$56,891 related to FRS and \$46,610 to HIS. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's 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, 2016, the Council's FRS and HIS proportion was 0.000225310% and 0.000399927%, respectively. For the year ended September 30, 2016, the Council's recognized pension expense of \$13,634 from FRS and \$9,089 from HIS, for a grand total of \$22,723.

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Deferred outflows/inflows related to pensions:

At September 30, 2016, 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	\$ 4,356	\$ (530)	\$ -	\$ (106)
Changes of assumptions	3,442	-	7,314	-
Net different between projected and actual investment earnings	14,706	-	24	-
Change in Council's proportionate share	26,778	-	32,339	-
Contributions subsequent to measurement date	3,748	-	1,073	-
	<u>\$ 53,030</u>	<u>\$ (530)</u>	<u>\$ 40,750</u>	<u>\$ (106)</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, 2016. 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:

2017	\$ 14,497
2018	14,497
2019	20,226
2020	17,458
2021	12,172
Thereafter	9,473
Total	<u>\$ 88,323</u>

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.

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 2.85%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.60%. 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 2.85% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.80%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

IRL COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(7) **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 2016, 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 table below 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.0%
Fixed income	18.0%	4.7%
Global equities	53.0%	8.1%
Real estate	10.0%	6.4%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

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:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.60%	\$ 104,740	\$ 56,891	\$ 17,063
HIS	2.85%	53,472	46,610	40,915

(8) **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, 2016, 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, 2016

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

- (a) GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, in June 2015, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. GASB 73 is intended to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016.
- (b) GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows or resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017.
- (c) GASB issued Statement No. 77, *Tax Abatement Disclosures*, in August 2015. GASB 77 requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The provisions in GASB 77 are effective for periods beginning after December 15, 2015.
- (d) GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* – an amendment of GASB Statement No. 14, in January 2016. GASB 80 clarifies the financial statement presentation requirements for certain component units and amends the blending requirements for the financial statement presentation of component units. The provisions in GASB 80 are effective for periods beginning after June 15, 2016.
- (e) GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, in March 2016, which requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 enhances comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The provisions in GASB 81 are effective for fiscal years beginning after December 15, 2016.
- (f) GASB issued Statement No. 82, *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*, in March 2016. GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in GASB 82 are effective for periods beginning after either June 15, 2016 or June 15, 2017, if certain assumptions are met.

IRL COUNCIL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY – FRS/HIS
SEPTEMBER 30, 2016

	2016
Florida Retirement System (FRS)	
Proportion of the net pension liability (NPL)	0.000225310%
Proportionate share of the NPL	\$ 56,891
Covered-employee payroll	332,307
Proportionate share of the NPL as percentage of covered-employee payroll	17.12%
Plan fiduciary net position as a percentage of the NPL	84.88%
Health Insurance Subsidy Program (HIS)	
Proportion of the net pension liability (NPL)	0.000399927%
Proportionate share of the NPL	\$ 46,610
Covered-employee payroll	332,307
Proportionate share of the NPL as percentage of covered-employee payroll	14.03%
Plan fiduciary net position as a percentage of the NPL	0.97%

**IRL COUNCIL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS – FRS/HIS
SEPTEMBER 30, 2016**

For the Plan Year ended June 30, 2016

Florida Retirement System (FRS)

Contractually required contribution	\$	19,473
Contributions in relation to contractually required contribution		<u>19,473</u>
Contribution deficiency (excess)	\$	<u><u>-</u></u>
Covered employee payroll	\$	332,307
Contributions as percentage of covered-employee payroll		5.86%

Health Insurance Subsidy Program (HIS)

Contractually required contribution	\$	5,516
Contributions in relation to contractually required contribution		<u>5,516</u>
Contribution deficiency (excess)	\$	<u><u>-</u></u>
Covered employee payroll	\$	332,307
Contributions as percentage of covered-employee payroll		1.66%

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

To the Board of Directors,
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, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated March 28, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described below, that we consider to be significant deficiencies.

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2016-001 Compensated Absences—The Council recorded the accrual for compensated absences as an asset instead of a liability and the accrual excluded amounts for FICA and retirement contributions. Also, the accrual should only be recorded government wide since the accrual relates to a period greater than one year and is not consistent with the modified accrual basis of accounting. We recommend the Council review all year-end government wide adjustments to ensure all transactions are recorded properly for financial statement reporting purposes.

2016-002 License Plate Receivables—We noted \$64,595 of license plate revenue and receivable passed through the St. Johns Water Management District on behalf of the Florida Department of Highway Safety and Motor Vehicles was not recorded. We recommend the Council review revenues at year-end to ensure all amounts have been appropriately and completely recorded.

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*.

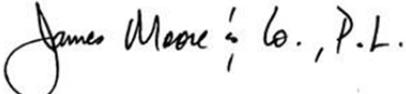
We noted certain matters that we have reported to management of the Council in a separate letter dated March 28, 2017.

Response to Findings

The Council's response to the findings identified in our audit are included on page 34 Management's Response to Findings. The Council's response was not subject 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
March 28, 2017

**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, 2016, and have issued our report thereon dated March 28, 2017.

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 Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and 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*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which are dated March 28, 2017, 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. No such findings or recommendations were made in the preceding annual 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 IRL 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, 2016.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report 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 identification of 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. 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Council for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection, with our audit, we have one recommendation, which is listed below:

2016-003 Budget Amendments—Prior to completion of the audit, we were notified by management that a budget amendment for the year ended September 30, 2016, had been approved by the Board of Directors in February 2017. Per Chapter 189.016(6) of Florida Statutes, the Council budget can be amended up to 60 days after year end. We recommend the Council approve all budget amendments prior to 60 days after year end, in accordance with Chapter 189.016(6) of Florida Statutes.

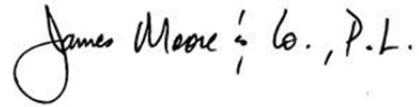
Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the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

Response to Findings

The Council's response to the findings identified in our audit are included on page 34 Management's Response to Findings. The Council's response was not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large initial "J" and a distinct "Co." followed by "P.L.".

Daytona Beach, Florida
March 28, 2017

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

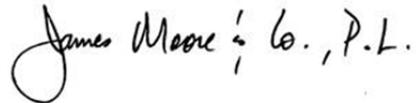
To the Board of Directors,
IRL Council:

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, 2016. 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 and, accordingly, included examining, on a test basis, evidence about the Council'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 Council's compliance with specified requirements.

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

Daytona Beach, Florida
March 28, 2017





Indian River Lagoon National Estuary Program

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

March 23, 2017

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 2016-2017 submitted by James Moore & Co., based on the audit activities completed as of March 23, 2017. The audit report identified two findings of deficiency in internal control, and made one recommendation. SDS has discussed these issues with IRLNEP staff and adjustments to processes have been implemented. Listed below are managements responses to those conditions:

Condition 2016-001 Finding: Compensated Absences (Data Entry Error)

Management Response: A data entry error occurred when entering this transaction into the accounting software. The transaction was not a cash transaction and did not affect bank balances. This was an accrual transaction entered on the last day of the fiscal year and then reversed the following day. This condition was remedied with an adjusting entry. Management will review all year-end, government-wide adjustments to ensure all transactions are recorded properly for financial statement reporting purposes.

Condition 2016-002 Finding: License Plate Receivables (Timing of Accrual)

Management Response: License plate revenues were received in January of 2017 from the St Johns River Water Management District pursuant to a revenue transfer agreement. At the time of transfer, management was not informed those funds were accrued as of September, 2016. This condition was remedied with an adjusting entry. Management will review revenues at year-end to ensure all amounts have been appropriately and completely recorded.

Condition 2016-003 Recommendation: Budget Amendments (Deadline for Budget Amendments)

Management Response: Management brought a budget amendment to Council after the 60-day fiscal year end requirement. In the future, Council will approve all budget amendments prior to 60 days after year end, in accordance with Chapter 189.016(6) of Florida Statutes.

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

Duane De Freese
Executive Director
IRL Council

Todd Wodraska
Special District Services, Inc.
Accounting Services Provider