ST. JOHNS IMPROVEMENT DISTRICT

FINANCIAL REPORT

For The Year Ended September 30, 2015

McDIRMIT DAVIS
CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL SERVICES

INTRODUCTORY SECTION

ST JOHNS IMPROVEMENT DISTRICT

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Year Ended September 30, 2015

FINANCIAL SECTION

This section contains the following subsections:

- Independent Auditor's Report
- Management’s Discussion and Analysis
- Basic Financial Statements

INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
St. Johns Improvement District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the *St. Johns Improvement District,* (the District), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District'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.

Auditor's Responsibility

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

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

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

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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 major fund of the District, as of September 30, 2015, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 inquires 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 statement, 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 a report dated April 18, 2016 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

McDirmit Davis & Company, LLC

Orlando, Florida
April 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the St. Johns Improvement District we offer readers of the St. Johns Improvement District's financial statements, this narrative overview and analysis of the financial activities of the St. Johns Improvement District (the District) for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the District's financial statements (beginning on page 7).

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $7,306,193 (net position). Of this amount, $671,539 (unrestricted net position) may be used to meet the government's ongoing obligations to creditors.

- The government's total net position increased by $201,290.

- As of the close of the current fiscal year, the St. Johns Improvement District's governmental fund reported combined ending fund balance of $1,010,389, an increase of $366,473 in comparison with the prior year. Unassigned fund balance for the General Fund was $773,607, or 31% of total general fund expenditures.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's financial position, in a manner similar to a private-sector business. They include a *Statement of Net Position* and a *Statement of Activities.*

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

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: Governmental Funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to financial statements can be found on pages 13 - 32 of this report.

Final Budget versus Actual Results - General Fund

The District's primary budgetary income source is through the annual per acre assessment levied against landowners within the jurisdictional area represented by the District. The total annual per acre assessment for the period ending September 30, 2015, is $107.95 per acre. This assessment is levied against 25,010.95 acres. District's assessments are collected through the local county tax collection office. For the fiscal year end September 30, 2015, approximately 98% of the District's annual budgeted revenue came from this assessment source. Historically, the balance of the remaining annual budgeted revenues would come from a variety of revenues sources; including the land management activities associated the alligator harvesting agreement.

Total expenditures for the year ending 2015 came in $279,262 less than budgeted, mainly due to budgeting for fuel, grease, and oil cost was significantly lower than prior year.

Government-Wide Financial Analysis

Statement of Net Position

The District's net position for the year ending 2015 and 2014 were $7,306,193 and $7,151,585 respectively, an increase of $154,608. A large portion of the District's net position (91%) reflects its investment in capital assets, less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to manage the District's surface waters and land area, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET POSITION
As of September 30,

	Governmental Activities	
	2015	2014
Assets:		
Current and other assets	$ 1,096,952	$ 738,254
Capital assets	7,164,654	7,405,159
Total Assets	8,261,606	8,143,413
Deferred Outflows of Resources:		
Deferred outflows of pension earnings	131,636	-
Liabilities:		
Current liabilities	86,563	461,828
Noncurrent liabilities	854,957	530,000
Total Liabilities	941,520	991,828
Deferred Inflows of Resources:		
Deferred inflows of pension earnings	145,529	-
Net Position:		
Net investment in capital assets	6,634,654	6,690,159
Unrestricted	671,539	461,426
Total Net Position	$ 7,306,193	$ 7,151,585

CHANGES IN NET POSITION
For the Year Ended September 30,

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues	$ 2,701,576	$ 2,782,500
Investment income and miscellaneous	7,518	88,572
Gain on sale of assets	42,502	-
Total Revenues	2,751,596	2,871,072
Expenses:		
Physical environment	2,534,956	2,801,553
Interest on long-term debt	15,350	19,265
Total Expenses	2,550,306	2,820,818
Increase (Decrease) in Net Position	201,290	50,254
Net Position - beginning	7,151,585	7,101,331
Restatement of Net Position (Note 2)	(46,682)	-
Net Position - ending	$ 7,306,193	$ 7,151,585

Capital Assets

At September 30, 2015, the District's investment in capital assets amounts to $7,164,654 (net of accumulated depreciation). This amount represents a decrease of $240,505 from the year ending September 30, 2014. This decrease is due to depreciation exceeding current year additions and unrecovered costs of approximately $100,000 due to loss on disposals.

Economic Factors

While not experiencing the same dynamic conversion from agricultural to planned unit developments than areas east of Interstate 95 in Indian River County have experienced, nonetheless, the lands within the District are experiencing some discussion of these type conversion, converting traditional and historic agricultural lands to planned developmental units or a varied non-agricultural or quasi-agricultural use. While the District still remains firmly rooted in its agricultural culture, the potential conversion of lands may be hastened not only by economic factors but also by natural factors which may impact the future of citrus within the District area. Much research is underway in assessing potential value that areas represented by the District may have in providing positive environmental services. In anticipation of the long term effects of such transition and in an attempt to allow for the optimal balance of land use within the District's community, the District initiated landowner approved actions in August 2006 to convert the District from a single purpose Chapter 298 Drainage District (St. Johns Water Control District) to a multi-purpose Improvement District (St. Johns Improvement District).

Requests for Information

This financial report is designed to provide a general overview of the St. Johns Improvement District's finances for all those with an interest in the District's finances. Questions concerning any of the information should be addressed to the Administrator's office of the St. Johns Improvement District, P.O. Box 690336, Vero Beach, Florida 32969.

BASIC FINANCIAL STATEMENTS

ST. JOHNS IMPROVEMENT DISTRICT

STATEMENT OF NET POSITION

September 30, 2015

	Primary Government Governmental Activities (General Fund)
Assets	
Cash and cash equivalents	$ 860,170
Prepaids	101,431
Inventory	135,351
Capital assets not being depreciated:	
Land	1,291,736
Construction in progress	906,568
Capital assets being depreciated, net of accumulated depreciation	4,966,350
Total capital assets	7,164,654
Total assets	8,261,606
Deferred Outflows of Resources	
Deferred outflows of pension earnings	131,636
Liabilities	
Accounts payable	80,637
Accrued liabilities	5,926
Noncurrent liabilities:	
Due within one year:	
Bonds payable	185,000
Compensated Absences	7,381
Due in more than one year:	
Bonds payable	345,000
Net pension liability	317,576
Total liabilities	941,520
Deferred Inflows of Resources	
Deferred inflows of pension earnings	145,529
Net Position:	
Net investment in capital assets	6,634,654
Unrestricted	671,539
Total net position	$ 7,306,193

The accompanying Notes to Financial Statements are an integral part of this statement.

ST. JOHNS IMPROVEMENT DISTRICT

STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

		Program Revenue	Net (Expense) Revenue and Changes in Position
Functions/Programs	**Expenses**	**Charges for Services**	**Governmental Activities**
Governmental Activities -			
Physical environment	$ 2,534,956	$ 2,701,576	$ 166,620
Interest on long-term debt	15,350	-	(15,350)
Total governmental activities	$ 2,550,306	$ 2,701,576	$ 151,270
General Revenues:			
Investment income and miscellaneous			7,518
Gain on sale of asset			42,502
Total general revenues			50,020
Change in net position			201,290
Net Position - beginning, as restated (Note 2)			7,104,903
Net Position - ending			$ 7,306,193

The accompanying Notes to Financial Statements are an integral part of this statement.

ST. JOHNS IMPROVEMENT DISTRICT

BALANCE SHEET
GOVERNMENTAL FUND

September 30, 2015

		General Fund
Assets:		
Cash and cash equivalents	$	860,170
Inventories		135,351
Prrepaid expenses		101,431
Total assets	$	1,096,952
Liabilities:		
Accounts payable	$	80,637
Other accrued expenses		5,926
Total liabilities		86,563
Fund Balance:		
Nonspendable		236,782
Unassigned		773,607
Total fund balance		1,010,389
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		7,164,654
Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		(13,893)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(854,957)
Net position of governmental activities	$	7,306,193

The accompanying Notes to Financial Statements are an integral part of this statement.

ST. JOHNS IMPROVEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND

Year Ended September 30, 2015

	General Fund
Revenues:	
Special assessments	$ 2,671,923
Licenses and permits	29,653
Administration fees	-
Interest earnings	407
Miscellaneous	7,111
Total revenues	2,709,094
Expenditures:	
Current:	
Fuel, grease and oil	735,169
Repair and maintenance	545,778
Salaries, wages and benefits	557,062
Professional services	124,719
Insurance	92,788
Supplies	19,057
Utilities	18,824
Rental and leases	1,986
Permit fees	723
Debt Service:	
Principal	185,000
Interest	15,350
Capital outlay	192,291
Total physical environment expenditures	2,488,747
Excess of Revenues over Expenditures	220,347
Other Financing Sources (Uses):	
Sale of Capital Assets	146,126
Total other financing sources (uses)	146,126
Net Change in Fund Balance	366,473
Fund Balance - beginning of year, as restated	643,916
Fund Balance - end of year	$ 1,010,389

The accompanying Notes to Financial Statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

Net Change in Fund Balances - total governmental funds:		$ 366,473
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital outlay	192,291	
Depreciation	(441,971)	(249,680)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.		(103,624)
Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.		185,000
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Compensated absences		(7,381)
Cash pension contributions reported in the funds were more than the calculated pension expense on the statement of activities, and therefore increased net position.		10,502
Change in net position of governmental activities		$ 201,290

The accompanying Notes to Financial Statements are an integral part of this statement.

ST. JOHNS IMPROVEMENT DISTRICT

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	$ 2,638,863	$ 2,638,863	$ 2,671,923	$ 33,060
Administration fees	54,000	54,000	-	(54,000)
Licenses and permits	25,500	25,500	29,653	4,153
Interest earnings	4,000	4,000	407	(3,593)
Miscellaneous	3,000	3,000	7,111	4,111
Total revenues	2,725,363	2,725,363	2,709,094	(16,269)
Expenditures:				
Current:				
Fuel, grease and oil	1,069,460	1,069,460	735,169	334,291
Repair and maintenance	430,400	430,400	545,778	(115,378)
Salaries, wages and benefits	777,253	777,253	557,062	220,191
Professional services	47,050	89,696	124,719	(35,023)
Insurance	97,100	97,100	92,788	4,312
Supplies	17,900	17,900	19,057	(1,157)
Utilities	23,100	23,100	18,824	4,276
Rental and leases	2,000	2,000	1,986	14
Permit fees	1,100	1,100	723	377
Debt Service:				
Principal	185,000	185,000	185,000	-
Interest	20,000	20,000	15,350	4,650
Capital Outlay	55,000	55,000	192,291	(137,291)
Total physical environment	2,725,363	2,768,009	2,488,747	279,262
Total expenditures	2,725,363	2,768,009	2,488,747	279,262
Excess of Revenues Over Expenditures	-	(42,646)	220,347	262,993
Other Financing Sources (Uses)				
Sale of Capital Assets	-	-	146,126	146,126
Total other financing sources (uses)	-	-	146,126	146,126
Net Change in Fund Balance	-	(42,646)	366,473	409,119
Fund Balance - beginning of year, as restated	643,916	643,916	643,916	-
Fund Balance - end of year	$ 643,916	$ 601,270	$ 1,010,389	$ 409,119

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity - The *St. Johns Improvement District* (the District) was established to manage the irrigatable water supply for an approximate 29,000 acre area in Indian River County, Florida, is a special district as defined by the laws of Florida. The District was formed on May 14, 1962 by decree of the Circuit Court of the Ninth Judicial Circuit in Indian River County under Florida Statutes (Chapter 298.01), and consists of landowners who receive the benefit of water management and are assessed taxes on a per acre basis for the maintenance and operation of the areas within District boundaries. On June 26, 2007, the St. Johns Water Control District was renamed and converted from a single-purpose Water Control District, to a multiple-purpose Improvement District by legislative approval and signature of the Governor. As a multi-purpose improvement district, the District is governed primarily by Chapter 189 of the Florida Statutes, and as such, the District has the statutory power to build and maintain every type of municipal infrastructure and provide any kind of municipal service that a county or city would provide, with the exception of public safety, and must be in compliance with the adopted comprehensive plan administered by the county; improvements and services provided are for the exclusive benefit of the landowners and are paid for by them through annual land assessments; is empowered to sell bonds to pay for capital improvements, and is authorized to create units of development within the District.

The District is governed by a three member Board of Supervisors elected for three year terms by landowners within the jurisdictional boundaries of the District. The District's operations are managed by an administrator. This administrator is appointed by the Board of Supervisors and operates in accordance with Chapters 189 and 298 of the Florida Statutes.

The financial statements have been prepared in conformity with generally accepted accounting principle (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements 14, 39, and 61. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations (component units) for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. In applying the above criteria, there are no potential component units or related organizations of the District.

Note 1 - Summary of Significant Accounting Policies - (Continued):

Government-Wide and Fund Financial Statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include special assessments levied on landowners within the District.

Separate financial statements are provided for the governmental funds. The District's only fund, the general fund, is a governmental fund and is used to account for all the District's physical environment activity and is reported in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Special assessments are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Assets, Liabilities and Net Position/Fund Balance

Deposits and Investments - The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventory - Inventories are stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

Note 1 - Summary of Significant Accounting Policies - (Continued):

Assets, Liabilities and Net Position/Fund Balance - (Continued):

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are valued at historical costs or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation is calculated under the straight-line method and is charged to operations. The estimated lives of the assets, for determining depreciation charges are as follows:

Assets	Years
Equipment and Vehicles	5-10
Bridges, Culverts, Roads	15
Buildings	39
Infrastructure	7-39

Deferred Outflows/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, *deferred outflows of resources*, 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 District reports deferred outflows on pension earnings, as well as deferred outflows for contributions made during their fiscal year but after the measurement date of the actuarial report

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Certain amounts related to pensions must be deferred. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years.

Net Position Flow Assumption - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities and Net Position/Fund Balance - (Continued*):*

Fund Balance Flow Assumptions - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies *-* Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance). In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable - Amounts that cannot be spend either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of the District, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed - The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.
- Assigned - Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors is authorized to assign amounts for specific purposes. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above and additional action is essential to either remove or revise a commitment.
- Unassigned - All amounts not included in other spendable classifications.

Note 1 - Summary of Significant Accounting Policies (Continued):

Assets, Liabilities and Net Position/Fund Balance - (Continued):

Net position in the government-wide statements are categorized as investment in capital assets, net, restricted or unrestricted. Investment in capital assets, net represents net position related to infrastructure and property, plant and equipment, net of any related debt.

Budgets and Budgetary Accounting - The District is required to adopt an annual budget for the general fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors.

Special Assessments - The District's taxpayer assessment revenue (non ad-valorem) is levied through the Indian River County Tax Collector based on the approved budget submitted to the County by the District on or before September 1 of each tax year. The assessment is included in the County's property tax levy which begins each November 1, and becomes a lien on the first day of the levy year, and is due on or before March 31. Discounts are allowed for early payment. The special assessment rate assessed by the District for the year ended September 30, 2015 was $107.95 per acre.

Estimates - The Board uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could vary from the estimates that were used.

Economic Dependency - The landowners in the District are primarily citrus growers and, as such, the District is dependent on the financial condition of the citrus industry.

New GASB Statements Implemented

GASB Statement No. 68, Accounting and Financial Reporting for Pensions replaces the requirements of GASB Statements No. 27 and 50, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense/expenditures for defined benefit pension plans, including FRS. Beginning net position of governmental activities has been restated and disclosed in Note 2. The new requirements are disclosed in Note 6.

Note 2 - Restatement of Financial Statements:

The October 1, 2014, beginning net position of governmental activities and beginning fund balance of the general fund was restated due to reporting errors in prior years, as well as implementation of GASB 68, as follows:

Net position, October 1, 2014, as previously reported	$	7,151,585
Bond issue cost correction, GASB 65		(8,348)
Prior year diesel inventory restatement		190,838
Prior year capital assets restatement		112,799
Restatement for implementation of GASB 68		(341,971)
Net Position, October 1, 2014, as restated	$	7,104,903
Fund balance, October 1, 2014, previously stated	$	461,426
Bond issue cost correction, GASB 65		(8,348)
Prior year diesel inventory restatement		190,838
Fund balance, October 1, 2014, as restated	$	643,916

Note 3 - Cash and Investments:

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

At year-end, the carrying amount of the District's deposits was $860,170 and the bank balance was $910,990. All bank deposits were fully covered by federal depository insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law.

The District is authorized to invest in those instruments as established by Florida Statute 2018.415. The authorized investments consist of:

1) The Local Government Surplus Funds Trust as created by Florida Statute 218.415 or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Florida Statute 163.01

2) Securities and Exchange Commission ("SEC") registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

3) Interest-bearing time deposits or savings accounts in qualified public depositories.

4) Direct obligations of the United States Treasury.

Note 4 - Capital Assets:

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Capital Assets, not being depreciated:				
Land	$ 1,291,736	$ -	$ -	$ 1,291,736
Construction in progress	4,617,461	174,835	(3,885,728)	906,568
Total Capital Assets, not being depreciated	5,909,197	174,835	(3,885,728)	2,198,304
Capital Assets, being depreciated:				
Infrastructure	5,714,131	3,839,980	(47,846)	9,506,265
Buildings	261,285	-	-	261,285
Bridges culverts & roads - other costs	1,492,994	45,748	-	1,538,742
Equipment and vehicles	2,285,985	17,456	(232,529)	2,070,912
Total Capital Assets Being Depreciated	9,754,395	3,903,184	(280,375)	13,377,204
Less Accumulated Depreciation for:				
Infrastructure	(5,141,823)	(187,544)	17,088	(5,312,279)
Buildings	(164,743)	(4,007)	-	(168,750)
Bridges culverts & roads - other costs	(1,458,695)	(4,182)	-	(1,462,877)
Equipment and vehicles	(1,380,373)	(246,238)	159,663	(1,466,948)
Total accumulated depreciation	(8,145,634)	(441,971)	176,751	(8,410,854)
Total Capital Assets Being Depreciated, net	1,608,761	3,461,213	(103,624)	4,966,350
Capital Assets, net	$ 7,517,958	$ 3,636,048	$ (3,989,352)	$ 7,164,654

Depreciation expense was $441,971 for the year ended September 30, 2015.

Note 5 - Long-Term Liabilities:

Special Assessment Refunding Bonds - Series 1998

On June 25, 1998, the District issued $3,675,000 in serial bonds to refinance the outstanding series 1988 bonds.

The interest rate was fixed at 5.1% until January 19, 2003. The District modified the outstanding balance at that time to reduce the interest rate to 4.2%. The first interest adjustment reduced the interest rate to 3.9%. A second interest rate was adjusted on May 1, 2013, which reduced the interest rate to 2.11%. Interest is due semi-annually on November 1 and May 1 of each year. Principal payment of $185,000 is due annually on May 1, until May 1, 2018, with a final principal payment of $160,000 due at that date.

Note 5 - Long-Term Liabilities (Continued):

Special Assessment Refunding Bonds - Series 1998 (Continued)

The bonds are secured by available future special assessment levies issued by the District.

Total principal and interest remaining on the Series 1998 Bond as of September 30, 2015 is $551,935. For the year ended September 30, 2015, principal and interest paid was $200,350 and total pledged revenue was $2,653,572.

Line of Credit

The District has a line of credit agreement with Farm Credit of Florida of $1,000,000. There were no borrowings against the line at September 30, 2015. The line bears interest at 3.00%. The line is due on demand and accrued interest for advances are payable on demand, otherwise, due annually. The line is collateralized first on all business assets and second on all assessments levied by the District.

A summary of long-term liability activity for the year ended September 30, 2015 is as follows:

	Beginning Balance, as Restated	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
Series 1998 bonds	$ 715,000	$ -	$ (185,000)	530,000	$ 185,000
Compensated Absences	-	7,381	-	7,381	7,381
Net Pension Liability	282,656	68,306	(33,386)	317,576	-
Governmental Activities Long-term Liabilities	$ 997,656	$ 75,687	$ (218,386)	$ 854,957	$ 192,381

A schedule of debt maturities for bonds payable is as follows:

Year Ending September 30,	Principal	Interest
2016	$ 185,000	$ 11,232
2017	185,000	7,312
2018	160,000	3,391
	$ 530,000	$ 21,935

Note 6 - Florida Retirement System:

All active employees of the District are enrolled in the Florida Retirement System (FRS); a multiple-employer cost-sharing defined-benefit pension plan administered by the State of Florida, for the District's authorized permanent, full-time employees.

If enrolled in the FRS plan prior to July 1, 2011, members are eligible for retirement after vesting, which may occur at 6-years of creditable service for regular members. Normal retirement age is attained at the earlier of 30-years of creditable service, regardless of age or retirement at age 62 with at least 6-years of creditable service. Early retirement may be taken anytime; however, there is a five-percent (5%) benefit reduction for each year prior to normal retirement age for regular members. Special risk class employees (sworn law enforcement officers or firefighters) who retire at or after age 55 with 10-years of credited service, or with 25-years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3% of their final average compensation for each year of credited service.

For enrollees after July 1, 2011, members are eligible for retirement after vesting, which may occur at 8-years of creditable service for regular members. Normal retirement age is attained at the earlier of 33-years of creditable service, regardless of age or retirement at age 65 with at least 8-years of creditable service. Early retirement may be taken at any time; however, there is a five- percent (5%) benefit reduction for each year prior to normal retirement age for regular members. Special risk class employees (sworn law enforcement officers or firefighters) who retire at or after age 60 with 8-years of credited service, or with 30-years of credited service regardless of age, are entitles to a retirement benefit payable monthly for life, equal to 3% of their final average compensation for each year of credited service.

A post-employment health insurance subsidy is also provided to eligible retirement employees through FRS in accordance with Florida Statutes (See Note 9).Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are computed on the basis of age, average final compensation, and service credit.

Funding Policy:

The FRS has ten (10) classes of membership. Only two (2) classes are applicable to the District's eligible employees. These two (2) classes, with descriptions and contribution rates in effect during the period ended September 30, 2015 are as follows:

Regular Class - Members not qualifying for other classes (10.26% [includes 3% employee contribution] from July 1, 2015 through September 30, 2015 and 10.37% [includes 3% employee contribution] from October 1, 2014 through June 30, 2015.)

Senior Management Service Class - Members of senior management who do not elect the optional annuity retirement program (24.43% [includes 3% employee contribution] from July 1, 2015 through September 30, 2015 and 24.14% [includes 3% employee contribution] from October 1, 2014 through June 30, 2015.)

Note 6 - Florida Retirement System (Continued):

The contribution requirements of the District are established and may be amended by FRS. The plan was non-contributory for employees through June 30, 2011 with all contributions being the obligation of the employer. Effective July 1, 2011, employee salary deferral was implemented with employee contributions rate of 3% for all classes of employees. The District's contributions to their benefit plan for the years ended September 30, 2015 and 2014 were approximately $36,681 and $41,884, respectively, and were equal to the required contribution for the years then ended.

The State of Florida issues a report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to Florida Retirement System, State of Florida, Tallahassee, Florida, 32399-1560.

General Information - All of the District's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

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

www.dms.myflorida.com/workforce_operations/retirement/publications

Note 6 - Florida Retirement System (Continued):

FRS Pension Plan

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

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

Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

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

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

Note 6 - Florida Retirement System (Continued):

FRS Pension Plan (Continued)

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular - 7.37% and 7.26%; Senior Management Service - 21.14% and 21.43%; and DROP participants - 12.28% and 12.88%.

These employer contribution rates include 1.26% and 1.66% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

The District’s contributions, including employee contributions, to the Pension Plan totaled $36,536 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2015, the District reported a liability of $182,850 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District’s proportionate share of the net pension liability was based on the District’s 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was .00142 percent, which was an increase (decrease) of (.00046) percent from its proportionate share measured as of June 30, 2014.

Note 6 - Florida Retirement System (Continued):

FRS Pension Plan (Continued)

For the fiscal year ended September 30, 2015, the District recognized pension expense of $17,831. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 19,304	$ 4,337
Change of assumptions	12,136	-
Net difference between projected and actual earnings on Pension Plan investments	-	43,662
Amounts due to changes in the District's contributions and their proportionate share of contributions	69,620	60,590
District Pension Plan contributions subsequent to the measurement date	6,417	-
	$ 107,477	$ 108,589

The deferred outflows of resources related to the Pension Plan, totaling $6,417 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

September 30:	Amount
2016	$ (9,706)
2017	(9,706)
2018	(9,706)
2019	26,316
2020	(2,389)
Thereafter	(2,338)

Note 6 - Florida Retirement System (Continued):

FRS Pension Plan (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	7.65%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed Inflation - Mean		2.60%		2.00%

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

Note 6 - Florida Retirement System (Continued):

FRS Pension Plan (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
District's Proportionate Share of the Net Pension Liability	$ 473,806	$ 182,850	$ (59,273)

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

Payables to the Pension Plan - At September 30, 2015, the District reported a payable in the amount of $2,548 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015.

HIS Plan

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

Benefits Provided - For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Note 6 - Florida Retirement System (Continued):

HIS Plan (Continued)

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.20% and 1.26%, respectively. The District contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled $5,050 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2015, the District reported a liability of $134,726 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was .00132 percent, which was an increase (decrease) of (.00047) percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of $6,435. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 6 - Florida Retirement System (Continued):

HIS Plan (Continued)

Description	Deferred Outflows of Resources		Deferred Inflows of Resources	
Changes of Assumptions	$	10,599	$	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		-		(73)
Amounts Due to Changes in the District's Contributions and Their Proportionate Share of contributions		12,313		37,013
District Pension Plan Contributions Subsequent to the Measurement Date		1,247		-
	$	24,159	$	36,940

The deferred outflows of resources related to the HIS Plan, totaling $1,247 resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

September 30:	Amount	
2016	$	(1,756)
2017		(1,756)
2018		(1,756)
2019		(1,771)
2020		(1,778)
Thereafter		(5,211)

Actuarial Assumptions - The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	3.80 %

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Note 6 - Florida Retirement System (Continued):

HIS Plan (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.80%) or one percentage point higher (4.80%) than the current rate:

	1% Decrease 2.80%	Current Discount Rate 3.80%	1% Increase 4.80%
District's Proportionate Share of the Net Pension Liability	$ 153,514	$ 134,726	$ 119,059

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

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan.

Note 6 - Florida Retirement System (Continued):

Investment Plan (Continued)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan.

Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump- sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the investment Plan and rely upon that account balance for retirement income.

The District’s contributions, including employee contributions, to the Investment Plan totaled $5,486 for the fiscal year ended September 30, 2015.

Note 7 - Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. Risk of loss from the above is transferred by the District to various commercial insurers through the purchase of insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

Note 8 - Contingencies:

During the ordinary course of its operations, the District is a party to various claims, legal actions, and complaints. In 2012, the District entered into a settlement agreement to settle litigation. However, District management does not believe that the pump station described in the settlement agreement will perform its function as designed. The District has budgeted for a three year project to address the drainage and discharge issues, however it is not determinable what the contingent liability of the District is.

Note 9 - Other Post-Employment Benefits:

In accordance with Florida Statutes Section 112.0801, the District makes continued group health insurance through the District's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met. This benefit has no cost to the District, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree.

The District currently has no OPEB liability due to the following conditions:

The only other postemployment benefit the District offers is the ability for retirees to self-pay under the District's group health plan.

The average number of self-paying retirees at any one time has not exceeded one for the last five years.

The District does not expect this situation to change in the foreseeable future.

Accordingly, the District has a net OPEB obligation at September 30, 2015 of zero.

REQUIRED SUPPLEMENTARY INFORMATION

ST. JOHNS IMPROVEMENT DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Last 10 Fiscal Years

Florida Retirement System

	2015	2014
District's proportion of the net pension liability	0.001415649%	0.001877314%
District's proportionate share of the net pension liability	$ 182,850	$ 114,544
District's covered-employee payroll	$ 293,772	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.24%	*
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

HIS Plan

	2015	2014
District's proportion of the net pension liability	0.001321043%	0.001797940%
District's proportionate share of the net pension liability	$ 134,726	$ 168,112
District's covered-employee payroll	$ 293,772	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	45.86%	*
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%

* not available

ST. JOHNS IMPROVEMENT DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

Last 10 Fiscal Years

Florida Retirement System

		2015
Contractually required contribution	$	36,536
Contributions in relation to the contractually required contribution		(36,536)
Contribution deficiency (excess)	$	-
City's covered-employee payroll	$	293,772
Contributions as a percentage of covered-employee payroll		12.44%

HIS Plan

		2015
Contractually required contribution	$	5,050
Contributions in relation to the contractually required contribution		(5,050)
Contribution deficiency (excess)	$	-
City's covered-employee payroll	$	293,772
Contributions as a percentage of covered-employee payroll		1.72%

INTERNAL CONTROL AND COMPLIANCE SECTION

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

Board of Commissioners
St. Johns Improvement District

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 major fund of St. Johns Improvement District as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise St. Johns Improvement District's basic financial statements, and have issued our report thereon dated April 18, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Johns Improvement District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Johns Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Johns Improvement District's internal control.

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

Our consideration of internal control 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 a deficiency in internal control, described in Appendix A of the accompanying report to management that we consider to be a significant deficiency.

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Compliance and Other Matters

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

The District's Response to Findings

St. Johns Improvement District's responses to the findings identified in our audit are described in the accompanying letter. The District's 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 and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDirmit Davis & Company, LLC

Orlando, Florida
April 18, 2016

MCDIRMIT DAVIS
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

MANAGEMENT COMMENTS

Board of Commissioners
St. Johns Improvement District

Report on the Financial Statements

We have audited the financial statements of *St. Johns Improvement District* (the "District"), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated April 18, 2016.

Auditor's Responsibility

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

Other Reports

We have issued our Independent Auditor's 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 Auditor'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 those reports, which are dated April 18, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i.)1., Rules of the Auditor General, require 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 findings and 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. This information has been disclosed in the noted to the financial statements.

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Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statues, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statues.

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 District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the District for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statues, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. 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. See Appendix B for current year comments and recommendations.

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.

Purpose of this Letter

Our management letter is intended solely for the 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 Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

McDirmit Davis & Company, LLC

Orlando, Florida
April 18, 2016

ML15-01 - Internal Controls Over the Preparation of Financial Statements

Criteria

SAS No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires auditors to evaluate whether or not the District employees have the necessary qualifications and training to record the District's financial transactions or prepare its financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Condition

During the course of our audit, we had to recommend that twenty-three adjusting entries be posted in order for financial statements to be prepared. Six of these entries pertained to the new GASB 68 on pension plans, which only affected the government-wide financials and not the fund statements.

Cause

Due to the small size of the District, none of the staff is qualified to prepare the financial statements. Also, the prior auditor of the District never discussed with management that it is their responsibility to record adjustments during the year so that balances in the general ledger were in accordance with GAAP. In addition, the prior auditor did not explain to management the requirement to post all audit adjustments so that the District's general ledger agrees to the audited financial statements.

Effect

The significant deficiency that we are reporting can be eliminated in the future by the District staff getting training in how to properly record transactions in accordance with GAAP.

Recommendation

McDirmit Davis & Company has several employees who are knowledgeable about Quick Books and we will have them train the administrative assistant in how to use it to properly record transactions and journal entries. We have already spoken to her and she is more than capable of doing what is required, which will eliminate this deficiency in the future.

ML15-02 - Segregation of Duties Over Cash Receipts

Criteria - During our testing of cash receipts, we noted a lack of segregation of duties over cash receipts processing.

Condition - Approximately 95% of the District's revenue is received from tax collector and we confirm this amount. However since the remaining revenue is for miscellaneous amounts which are not always expected or budgeted, misappropriation could go undetected since there is not really any segregation of duties. The same person receives checks, enters into Quick Books, and can make deposits into the bank.

Cause - Due to small size of staff, both office personnel have the ability to receive checks, enter into QuickBooks, as well as take the deposit to the bank. Additionally, a detailed list of checks included in each deposit, including vendor and amount, is not included with the deposit slip on file.

Effect - Misappropriation of assets could go undetected.

Recommendation - We recommend that the District segregate duties as much as possible. For example, one person could open mail and prepare deposit slip, and these would both be filed with a Deposit Report printed from Quick Books. Then the other person would enter deposit into Quick Books and reconcile the bank statement, noting if checks entered did not agree to bank statement.

To the Board of Directors
St. Johns Improvement District

We have audited the financial statements of St. Johns Improvement District as of and for the year ended September 30, 2015, and have issued our report thereon dated April 18, 2016. 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 September 17, 2015, our responsibility, as described by professional standards, is to form and express opinions 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of St. Johns Improvement District 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 April 18, 2016.

Planned Scope and Timing of the Audit

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

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.

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Qualitative Aspects of the Entity's Significant 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 St. Johns Improvement District is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68. 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.

The most sensitive accounting estimates affecting the financial statements were:

> Management's estimate of the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the basic financial statements taken as a whole.

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 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 require us to also communicate the effect of corrected misstatements. Management has corrected all identified misstatements, which are summarized on the attached schedule. Several of these corrections relate to the prior year's audit and are summarized in Note 2 to the financial statements.

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 St. Johns Improvement District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated April 18, 2016.

Management's 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 St. Johns Improvement District, 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 St. Johns Improvement District's auditors.

This report is intended solely for the information and use of the Board of Commissioners and management of St. Johns Improvement District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

McDirmit Davis & Company, LLC

Orlando, Florida
April 18, 2016

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
prior year correction to write off bond issue costs			
16650	Bond Issue (Accum Amort)	32,965.00	
27600	3900 + Retained Earnings	8,348.00	
16615	Bond Issuance (Costs)		41,313.00
Total		**41,313.00**	**41,313.00**
Adjusting Journal Entries JE # 2			
Adjust bonds payable at 9/30/15 for principal payments			
23090	Bonds Payable	185,000.00	
18100	Amount to be provided in DSF		185,000.00
Total		**185,000.00**	**185,000.00**
Adjusting Journal Entries JE # 3			
to adjust payroll liabilities to actual			
21000	2100 + Payroll Tax Liabilities	9,640.00	
21005	2100 + Payroll Tax Liabilities:2102 + Payroll Taxes (941)	95,636.00	
51200	Salaries & Wages		9,600.00
52100	Payroll Taxes		95,636.00
52300	Health Insurance		40.00
Total		**105,276.00**	**105,276.00**
Adjusting Journal Entries JE # 4			
To accrue payroll for PPE 10/3/15			
51200	Salaries & Wages	3,672.00	
21000	2100 + Payroll Tax Liabilities		3,672.00
Total		**3,672.00**	**3,672.00**
Adjusting Journal Entries JE # 5			
Record PY AP AJEs and reversals			
20200	2000 + Accounts Payable	1,193.00	
52300	Health Insurance	11,368.00	
20200	2000 + Accounts Payable		1,193.00
27600	3900 + Retained Earnings		1,193.00
52200	FRS Contributions		4,450.00
52400	Workers Comp Insurance		1,450.00
52600	Re-Employment Tax		1,913.00
54111	Communications		331.00
54311	Electrical		102.00
54651	Heavy Equipment		1,929.00
Total		**12,561.00**	**12,561.00**
Adjusting Journal Entries JE # 6			
correct coding of FCC assessments to revenue			
13100	Intergovernmental Receivable	16,192.00	
36311	FCC Assessments		16,192.00
Total		**16,192.00**	**16,192.00**
Adjusting Journal Entries JE # 7			
to adjust prepaid insurance and expense to actual			
54511	General Insurance - Commercial	3,184.00	
15505	Prepaid Insurance		3,184.00
Total		**3,184.00**	**3,184.00**
Adjusting Journal Entries JE # 8			
To reclassify October health insurance to prepaid			
15500	Prepaid Expenses	11,558.00	
52300	Health Insurance		11,558.00
Total		**11,558.00**	**11,558.00**
Adjusting Journal Entries JE # 9			
To correct posting of IRS payroll tax refund received			
13300	Due from IRS	2,155.00	

Account	Description	Debit	Credit
52100	Payroll Taxes		2,155.00
Total		**2,155.00**	**2,155.00**

Adjusting Journal Entries JE # 10
To re-state beginning fixed assets balances

Account	Description	Debit	Credit
16290	Property, Equipment & Improvem:Buildings	105,000.00	
16694	Property, Equipment & Improvem:Office Equipment	3,278.00	
16705	Lateral 15 project	34,289.00	
17090	Property, Equipment & Improvem:Shop Equipment	15,896.00	
17094	Property, Equipment & Improvem:Pumps & Pump Houses	118,950.00	
27400	Investment in GFAAG	6,151.00	
16590	Accumulated depreciation		163,362.00
16690	Property, Equipment & Improvem:Heavy/Vehicular Equipment		1,252.00
27405	Investment in GFAAG - NPC		118,950.00
Total		**283,564.00**	**283,564.00**

Adjusting Journal Entries JE # 11
To record current year additions

Account	Description	Debit	Credit
16694	Property, Equipment & Improvem:Office Equipment	16,547.00	
16700	Levee Project	16,232.00	
16705	Lateral 15 project	11,459.00	
16990	Property, Equipment & Improvem:Construction in Progress-MSP	34,297.00	
16995	Property, Equipment & Improvem:Construction in Progress-NPC	112,847.00	
17090	Property, Equipment & Improvem:Shop Equipment	909.00	
17096	Property, Equipment & Improvem:Bridges Culverts & Roads		
27400	Investment in GFAAG		79,444.00
27405	Investment in GFAAG - NPC		112,847.00
Total		**192,291.00**	**192,291.00**

Adjusting Journal Entries JE # 12
To record disposals, accumulated depreciation, and depreciation expense

Account	Description	Debit	Credit
16590	Accumulated depreciation	111,303.00	
16595	Accumulated depreciation-NPC	65,448.00	
27400	Investment in GFAAG	51,522.00	
27405	Investment in GFAAG - NPC	52,102.00	
56499	Capital Outlay-Operations:56499 + Depreciation expense	313,431.00	
56510	North Perimeter Canal:56509 + Equipment & Machinery Purchase:56510 +	128,540.00	
16590	Accumulated depreciation		313,431.00
16595	Accumulated depreciation-NPC		128,540.00
16690	Property, Equipment & Improvem:Heavy/Vehicular Equipment		102,625.00
16692	Property, Equipment & Improvem:Trucks & Tractors - NPC		116,970.00
16694	Property, Equipment & Improvem:Office Equipment		11,734.00
17090	Property, Equipment & Improvem:Shop Equipment		1,200.00
17094	Property, Equipment & Improvem:Pumps & Pump Houses		47,846.00
Total		**722,346.00**	**722,346.00**

Adjusting Journal Entries JE # 13
To record current year diesel fuel inventory at 09/30/2015

Account	Description	Debit	Credit
14100	Diesel Fuel Inventory	135,351.00	
55211	Diesel Fuel		135,351.00
Total		**135,351.00**	**135,351.00**

Adjusting Journal Entries JE # 14
To record prior period adjustment to net assets related to fuel inventory

Account	Description	Debit	Credit
55211	Diesel Fuel	190,838.00	
27600	3900 + Retained Earnings		190,838.00
Total		**190,838.00**	**190,838.00**

Adjusting Journal Entries JE # 15
To eliminate misc payables accounts not removed in prior year

Account	Description	Debit	Credit
20210	Prof. Fees-FDOTSR60Wetlands2004	1,000.00	
20212	Prof. Fees-HamptonLakesEst.2004	51.00	
20214	Prof. Fees-Stewart/Beale-2004	500.00	
20216	Prof. Fees-TCRanch-WtrMgmt Plan:TC Ranch-Wtr Mgmt Plan	2,050.00	
20218	Prof. Fees-Teen Challenge-2004	466.00	
20222	Prof. Fees-West Vero Airstrip:Retainer Fees-West VeroAirstrip	1,000.00	

Account	Description	Debit	Credit
20205	Accounts Payable-Other		1,193.00
20220	Prof. Fees-West Vero Airstrip		225.00
27600	3900 + Retained Earnings		3,649.00
Total		**5,067.00**	**5,067.00**
Adjusting Journal Entries JE # 16			
To record misc. amount to correct prior year equity			
27600	3900 + Retained Earnings	838.00	
55229S	Operation&Maintenance Supplies:55229S + P/F-Support Equip(Non-Vehicle)		43.00
55229S	Operation&Maintenance Supplies:55229S + P/F-Support Equip(Non-Vehicle)		795.00
Total		**838.00**	**838.00**
Adjusting Journal Entries JE # 17			
to accrue Sept FRS payment			
52200	FRS Contributions	2,548.00	
21010	2200 + Payroll Retirement Liabilities:2201FRS + FRS-EMPLOYEE Contribution		2,548.00
Total		**2,548.00**	**2,548.00**
Adjusting Journal Entries JE # 18			
to record beginning FRS pension balances			
16100	Deferred Outflows- FRS	116,476.00	
17100	Amount to be Provided-FRS	196,234.00	
21300	Deferred Inflows- FRS		198,166.00
22000	Net Pension Liability-FRS		114,544.00
Total		**312,710.00**	**312,710.00**
Adjusting Journal Entries JE # 19			
to record CY change in NPL-FRS			
21300	Deferred Inflows- FRS	89,577.00	
16100	Deferred Outflows- FRS		15,416.00
22000	Net Pension Liability-FRS		68,306.00
5220A	FRS adjustment		5,855.00
Total		**89,577.00**	**89,577.00**
Adjusting Journal Entries JE # 20			
to reclassify contributions paid after the measurement date-FRS			
16100	Deferred Outflows- FRS	6,417.00	
5220A	FRS adjustment		6,417.00
Total		**6,417.00**	**6,417.00**
Adjusting Journal Entries JE # 21			
to record beginning HIS balances			
16110	Deferred Outflows- HIS	22,375.00	
18110	Amount to be Provided- HIS	145,737.00	
22010	Net Pension Liability-HIS		168,112.00
Total		**168,112.00**	**168,112.00**
Adjusting Journal Entries JE # 22			
to record current year change in NPL-HIS			
16110	Deferred Outflows- HIS	537.00	
22010	Net Pension Liability-HIS	33,386.00	
5221A	HIS adjustment	3,017.00	
21310	Deferred Inflows- HIS		36,940.00
Total		**36,940.00**	**36,940.00**
Adjusting Journal Entries JE # 23			
to reclassify contributions paid after measurement date for HIS			
16110	Deferred Outflows- HIS	1,247.00	
5221A	HIS adjustment		1,247.00
Total		**1,247.00**	**1,247.00**

MCDIRMIT DAVIS
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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

Board of Commissioners
St. Johns Improvement District

We have examined St. Johns Improvement District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, St. Johns Improvement District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

McDirmit Davis & Company, LLC

Orlando, Florida
April 18, 2016

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St. Johns Improvement District

April 21st, 2016

RE: Comments and Recommendations from Auditor FY 14-15

Board of Supervisors,

For FY 14-15, the Auditors had two findings relative to internal controls. The following are my responses to those findings;

<u>ML15-01 - Internal Controls Over the Preparation of Financial Statements:</u>

<u>Finding:</u> SAS No. 115, *Communicating Internal Control Related Matters Identified in an Audit,* requires auditors to evaluate whether or not the District employees have the necessary qualifications and training to record the District's financial transactions or prepare its financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

<u>Recommendation:</u> The Auditor has employee who are knowledgeable of the accounting system used by the District and will have them train the appropriate person(s) in the proper recording of transactions and journal entries. The Auditor believes that the person(s) current employed by the District are more than capable of doing that which is required, thereby eliminating this deficiency in the future.

<u>Response:</u> Management acknowledges and accepts this deficiency due to prior lack of training. The staff has been trained appropriately to minimize or eliminate this deficiency. All journal entries have been ported. Bill input and payroll have been modified to reduce the number of journal entries.

<u>ML15-02 - Segregation of Duties Over Cash Receipts</u>

<u>Finding:</u> Approximately 95% of the District's revenue is received from the tax collector and we confirm this amount. However, since the remaining revenue is for miscellaneous amounts which are not always expected or budgeted, misappropriation could go undetected since there is not really any segregation of duties. The same person receives checks, enters into QuickBooks, and can make deposits into the bank.

<u>Recommendation:</u> The Auditor recommends that the District segregate duties as much as possible. For example, one person could open the mail and prepare deposit slip, and these would both be filed with a Deposit Report printed from QuickBooks. Then the other person would enter deposit into QuickBooks and reconcile the bank statement, noting if checks entered did not agree to bank statement.

<u>Response:</u> Management acknowledges and accepts this deficiency. With the addition of an administrative assistant, the District is better able to segregate these duties and has implemented dual controls over various functions. The administrative assistant now receives and opens the mail and enters all correlating data into QuickBooks. Any monies received in the mail or in person are logged into QuickBooks as well as a History of Money Received spreadsheet. The checks are stamped with a "for deposit only" to the receiving account and a deposit slip is then made out. The administrator is then provided with the deposit slip and the checks to take to the bank. The dual control has also been

implemented over direct deposit of employee paychecks. The amounts calculated by Quickbooks are input by the administrative assistant into the bank payroll site, the site accepts them then submits them for approval to the administrator.

Chart of Accounts

Finding: The Chart of Accounts did not match with the GAAP chart of accounts.

Response: The District has made adjustments to the account numbers to better reflect the GAAP chart of accounts, within the capability of the QuickBooks program.

Liability vs Expense

Finding: Some bills were being erroneously entered as expenses when all or part of the expense was in fact a liability.

Response: The District, having received training on this issue, now correctly enters liability billing into QuickBooks.

Sincerely,

John Frederick Lang
Administrator
St Johns Improvement District

JFL: MH