FELLSMERE WATER CONTROL DISTRICT

Basic Financial Statements
with
Independent Auditors' Report

Year ended September 30, 2015

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Independent Auditor's Report

To the Board of Supervisors
Fellsmere Water Control District
Fellsmere, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fellsmere Water Control District (the District), as of and for the year ended September 30, 2015, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of September 30, 2015, and the respective changes in financial position thereof for the year then ended, in conformity 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, budgetary comparison information and pension disclosures as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds Budget and Actual – General Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Kmetz, Nuttall, Elwell, Graham

Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants
Vero Beach, Florida

June 23, 2016

FELLSMERE WATER CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

As management of the Fellsmere Water Control District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2015. This overview and analysis is required by generally accepted accounting principles (GAAP) in the United States of America in Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34).

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $1,188,184 (net position). The District's total net position decreased by $353,631 or 23% in comparison with prior year net position.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $1,201,592, a decrease of $342,500 or 22% in comparison with the prior year balances. $611,592 is available for spending at the government's discretion (unassigned fund balance), and $590,000 is assigned for contingencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the 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.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets (both short-term spendable resources and capital assets) and liabilities, with the difference between the two reported as *net position*. Over time, increases and 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 District'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.

Both of the government-wide financial statements present functions of the District (*governmental activities*) that are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include water control and resource management, and capital acquisition and construction.

The government-wide financial statements include only the District. There are no component units for which the District is financially accountable.

The government-wide financial statements can be found on pages 11 and 12 of this report.

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. All of the funds of the District are governmental funds.

Governmental fund – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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 adopts an annual appropriated budget for all funds. Government accounting standards require the District to report a budgetary comparison statement for the general fund and any major special revenue or enterprise funds. A budgetary comparison statement has been provided for the general fund. The District has no major special revenue funds.

The basic governmental fund financial statements can be found on pages 12 – 14 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $1,188,184 at September 30, 2015.

$111,626 (9%) of the District's net position reflects its investment in capital assets (e.g., land, buildings, equipment and water control structures). The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

FELLSMERE WATER CONTROL DISTRICT'S NET POSITION

The remaining portion of the District's net position (91%) represents *unrestricted net positions*, which may be used to meet the government's ongoing obligations to citizens.

	2015	2014
Current assets	$ 1,212,925	$ 1,549,491
Capital assets, net	111,626	124,162
Total Assets	1,324,551	1,673,653
Deferred outflows of resources	69,009	-
Current liabilities	11,333	5,399
Noncurrent liabilities	165,308	-
Deferred inflows of resources	28,735	-
Net Position		
Net invested in capital assets	111,626	124,162
Unrestricted, reported in:		
Governmental activities	486,558	954,092
Designated for contingencies	590,000	590,000
Total Net Position	$ 1,188,184	$ 1,668,254

At the end of the current fiscal year, the District is able to report positive balances in both categories of net position.

FELLSMERE WATER CONTROL DISTRICT'S CHANGE IN NET POSITION

	2015	2014
Revenues		
General revenues:		
Maintenance taxes, net of discounts	$ 268,838	$ 269,646
Other	6,589	3,503
Total revenues	275,427	273,149
Expenses		
Aquatic weed control	170,887	205,036
Ditch maintenance	94,661	100,215
General and administrative	363,510	389,549
Total expenses	629,058	694,800
Decrease in net position	(353,631)	(421,651)
Net position, beginning of year	1,541,815	2,089,905
Net position, end of year	$ 1,188,184	$ 1,668,254

Governmental activities – The District relies heavily on general revenues (i.e., property taxes, sale of right of ways, etc.) to fund the expenses of the governmental activities. General revenues comprise 100% of total revenues.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the District's governmental fund (general fund) reported an ending fund balance of $1,201,592. Of this total, $611,592 constitutes *unassigned fund balance*, which is available for spending at the District's discretion, and $590,000 which is assigned for contingencies.

The general fund is the only operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $611,592. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance exceeded (was less than) expenditures by ($6,335) and $583,665, respectively.

The fund balance of the District's general fund decreased by $342,500 during the year ended September 30, 2015, due to normal operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the District did not amended its annual budget and ended the most recent fiscal year with $13,778 less in actual revenue than was budgeted. The actual expenditures were some $262,813 less than the budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The District's investment in capital assets for its governmental activities as of September 30, 2015 amounted to $111,626 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment. No major capital asset additions or deletions occurred during the current year. The District has elected not to retroactively report infrastructure amounts and related depreciation, as allowed by GASB 34. Additional information on the District's capital assets can be found in Notes 1 and 4 on pages 18 and 23 of this report.

Long-term debt – The District's long-term debt consists of net pension liabilities of $165,308 as of September 30, 2015.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District generally receives the majority of its revenues from a property tax levied on acreage that makes up the physical boundaries of the District.
- Due to the continued low interest rates on certificates of deposits, the District anticipates interest income for the 2015-2016 fiscal year to be similar to the prior year.

All of these factors were considered in preparing the District's budget for the 2015-2016 fiscal year.

OTHER CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Climatological Review
Florida escaped the effects of any land-falling hurricane during 2015. Total rainfall in the District's area was slightly above normal for the year.

City of Fellsmere
The City of Fellsmere continues to develop strategies to improve its drainage infrastructure, including additional paving and drainage grants, developing a city-wide drainage swale plan for driveway culverts, and the possibility of a stormwater utility to fund drainage improvements on a regional scale.

Interstate I-95 Bridge Construction
The single most time consuming engineering activity during the past year has been expended on the non-compliance design and construction issues of the F.D.O.T. Interstate I-95 Bridge under construction across the Districts main canal. The District requires additional fill and rock rip rap slope stabilization treatment for the transition sections of the Districts realigned maintenance road. This matter remains unresolved and litigation is still on-going.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Rodney Tillman, Treasurer, Fellsmere Water Control District, P.O. Box 438, Fellsmere, Florida 32948.

Fellsmere Water Control District
Statement of Net Position

September 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash, collateralized	$ 1,212,925	$ -	$ 1,212,925
Capital assets, net	111,626	-	111,626
Total Assets	1,324,551	-	1,324,551
Deferred Outflows of Resources			
Deferred outflows of pension earnings	69,009	-	69,009
Liabilities			
Accounts Payable	11,333	-	11,333
Noncurrent net pension liability	165,308	-	165,308
Total Liabilities	176,641	-	176,641
Deferred Inflows of Resources			
Deferred inflows of pension earnings	28,735	-	28,735
Net Position			
Net invested in capital assets	111,626	-	111,626
Unrestricted, reported in:			
Governmental activities	486,558	-	486,558
Designated for contingencies	590,000	-	590,000
Total Net Position	$ 1,188,184	$ -	$ 1,188,184

See accompanying notes to the financial statements.

Fellsmere Water Control District
Statement of Activities

Year ended September 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Aquatic weed control	$ 170,887	$ -	$ -	$ -	$ (170,887)	$ -	$ (170,887)
Ditch maintenance	94,661	-	-	-	(94,661)	-	(94,661)
General and administrative	363,510	-	-	-	(363,510)	-	(363,510)
Total Governmental Activities	$ 629,058	$ -	$ -	$ -	(629,058)	-	(629,058)
General Revenues:							
Non-Ad Valorem property taxes, net of discounts					268,838	-	268,838
Interest income					1,110	-	1,110
Other income					5,479	-	5,479
Total General Revenues					275,427	-	275,427
Change in Net Position					(353,631)	-	(353,631)
Net Position, beginning (as restated)					1,541,815	-	1,541,815
Net Position, ending					$ 1,188,184	$ -	$ 1,188,184

See accompanying notes to the financial statements.

Fellsmere Water Control District
Balance Sheet - Governmental Funds

September 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash, collateralized	$ 1,212,925	$ -	$ 1,212,925
Total Assets	$ 1,212,925	$ -	$ 1,212,925
Liabilities			
Accounts Payable	$ 11,333	$ -	$ 11,333
Total Liabilities	11,333	-	11,333
Fund Balances:			
Assigned for contingencies	590,000	-	590,000
Unassigned	611,592	-	611,592
Total Fund Balances	1,201,592	-	1,201,592
Total Liabilities and Fund Balances	$ 1,212,925	$ -	$ 1,212,925
Total Fund Balances			$ 1,201,592
Amounts reported for governmental activities in the statement of net position is different because:			
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.			40,274
Long-term net pension liabilities are not due and payable in the current period and therefore, are not reported in the funds.			(165,308)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			111,626
Net Position of Governmental Activities			$ 1,188,184

See accompanying notes to the financial statements.

Fellsmere Water Control District
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds

Year ended September 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes, net of discounts	$ 268,838	$ -	$ 268,838
Interest income	1,110	-	1,110
Other income	5,479	-	5,479
Total Revenues	275,427	-	275,427
Expenditures			
Current operating:			
Aquatic weed control	165,371	-	165,371
Ditch maintenance	89,145	-	89,145
General and administrative	363,411	-	363,411
Capital outlay	-	-	-
Total Expenditures	617,927	-	617,927
Net Decrease in Fund Balance	(342,500)	-	(342,500)
Fund Balance, beginning of year	1,544,092	-	1,544,092
Fund Balance, end of year	$ 1,201,592	$ -	$ 1,201,592

See accompanying notes to the financial statements.

Fellsmere Water Control District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year ended September 30, 2015

Net Change in Fund Balances - Governmental Funds	$ (342,500)
Amounts reported for governmental activities in the statement of activities are different because:	
Cash pension contributions reported in the funds were more than the calculated pension expense on the statement of activities and therefore increased net position.	1,405
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of $12,536 exceeds capital outlays in the period.	(12,536)
Change in Net Position of Governmental Activities	$ (353,631)

See accompanying notes to the financial statements.

Note 1 – Summary of Significant Accounting Policies

General Information

The Fellsmere Water Control District (the District) is an independent special district, as defined by the laws of the State of Florida, and is located in Indian River County, Florida. The District was incorporated pursuant to a decree in the Circuit Court of the Fifteenth Judicial Court, in and for St. Lucie County, Florida on April 8, 1919. The District consists of landowners who receive the benefit of water management and are assessed for the maintenance and operation of the District.

Reporting Entity

Criteria for determining if other entities are potential component units of the District which should be reported with the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The reporting entity for the District includes all functions of government in which the Board of Supervisors exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters. As a result of applying the above reporting entity criteria, no component units exist in which the District has any oversight responsibilities which would require inclusion in the District's financial statements.

Basis of Presentation

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing accounting principles generally accepted in the United States of America for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant principles generally accepted in the United States of America and used by the District are discussed below.

The basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District has no business-type activities. Governmental fund financial statements include a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Reconciling items arise from differences in the measurement focuses and basis of accounting between the statements, and certain required eliminations.

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Government-wide Statements
In the government-wide Statement of Net position, both the governmental and business-type activities columns, (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The District's net position is reported in two parts – invested in capital assets and unrestricted net assets. When applicable, the District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Basic Financial Statements – Fund Financial Statements
The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The District's major governmental funds are as follows:

General Fund - Used to account for all financial resources not required to be accounted for in another fund.

Basis of Accounting
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis, revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues become available when they are collectable within the current period, or soon enough thereafter to be used to pay liabilities of the period. Property taxes are recorded as revenue when received; uncollected property taxes are insignificant to the overall operations of the District and therefore are not accrued. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except unmatured interest on long-term debt, which should be recognized when due. The principal exception to this general rule is that prepaid items are generally not accrued.

Note 1 – Summary of Significant Accounting Policies (continued)

Budgetary Basis Accounting

The annual budget is adopted for the governmental funds and approved by the Board of Supervisors. Once approved, the District may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. The District prepares the budget on a basis consistent with generally accepted accounting principles. Appropriations for the General Fund lapse at the end of the fiscal year. Budgetary control is established at the fund level. Expenditures in excess of appropriation in one or more funds does not constitute a violation of budgetary controls as long as total expenditures do not exceed total appropriations for the major fund.

Encumbrances

The District does not utilize encumbrance accounting.

Cash and Cash Equivalents

For purposes of statement presentation, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash or cash equivalents.

Capital Assets and Depreciation

Expenditures for capital assets acquired for general District purposes are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated assets are recorded at fair market value at the date of donation. The District maintains a capitalization threshold of $500. Major outlays for capital assets and improvements are capitalized as projects are completed; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Public domain (infrastructure) general fixed assets consisting of certain improvements other than building have not been capitalized in the past. As a phase 3 government with revenues less than $10 million, the District has elected not to retroactively report these assets. As required, the District has elected, effective October 1, 2003, to capitalize all current and future costs.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	10-40 years
Improvements	7-10 years
Equipment	3-7 years

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences

Vacation expenditures are recognized when payments are made to the employees. Employees are entitled to vacation after one year of employment. Any vacation earned but not taken by the employee's anniversary date is forfeited by the employee unless an extension is granted by the Board of Supervisors, thus no liability is recorded. Sick leave is available to all employees after one year of continuous service, earned at a rate of 1 ¼ days per month up to a maximum of 15 days per year. Unused sick leave shall accumulate from year to year to a maximum of 60 days. Accumulated sick leave is not paid upon termination; thus no liability is recorded

Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Property Taxes

The District is authorized by Section 298.54, Florida Statutes to levy property taxes of $10.00 per acre on property located within the District. The property assessment and tax collection functions are performed by appropriate officials of County government. Commissions are paid to the County for these appraisal and collection services.

Property tax revenues recognized for the 2014-15 fiscal year were levied on January 1, 2014. Virtually all unpaid taxes are collected via the sale of tax certificates prior to fiscal year end. Therefore, there were no significant tax receivables at year-end.

Key dates in the property tax cycle (latest date where appropriate) are as follow:

	Revenues for Fiscal Year Ended September 30, 2015
Lien date	January 1, 2014
Property taxes levied	October 31, 2014
Beginning of fiscal year for which taxes have been levied	October 1, 2014
Tax bills rendered	November 1, 2014
Property taxes payable:	
Maximum discount	November 30, 2014
Delinquent	April 1, 2015
Tax certificates sold on unpaid property taxes	May 31, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Interfund Activity
Loans between governmental funds are reported as interfund receivables or payables as appropriate and are subject to elimination upon consolidation. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. During the year ended September 30, 2015, the District made no interfund transfers.

Extraordinary and Special Items
Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Supervisors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year ended September 30, 2015.

Fund Balance
The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District did not have any nonspendable resources as of September 30, 2015.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District did not have any restricted resources as of September 30, 2015.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Supervisors. These amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of September 30, 2015.

Assigned – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the District or by an official or body to which the District delegates the authority. The District had $590,000 assigned for contingencies as of September 30, 2015.

Unassigned – This classification includes the residual fund balance for the General Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

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 (expense/expenditure) until then. The District has one item that qualifies for reporting in this category for the year ended September 30, 2015, deferred outflows of pension earnings.

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. The District has one item that qualifies for reporting in this category for the year ended September 30, 2015, deferred inflows of pension earnings.

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.

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.

New GASB Statements Implemented

In fiscal year 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. These statements replace the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers, and Statement No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arranges that meet certain criteria. GASB Statement No. 71 addresses the issue of the transition provisions in Statement No. 68. Beginning net position of governmental activities have been restated and disclosed in Note 3.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 1 – Summary of Significant Accounting Policies (continued)

Subsequent Events

Subsequent events have been evaluated through June 23, 2016, which is the date the financial statements were available to be issued.

Note 2 – 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 for 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. Further, Florida Statutes limit such investment and deposit accounts in "qualified public depositories" to savings accounts, demand deposit accounts, certificates of deposits and direct obligations of the U.S. Treasury and other federal agencies or entities.

Deposits

At year-end, the carrying amount of the District's cash and cash equivalents were $1,212,925 and the bank balances were $1,217,885. Of the bank balances, $500,000 was covered by federal depository insurance, and $717,885 was covered by collateral held in escrow by the bank's trust department, under the "qualified public depository" rules as previously stated.

Note 3 - Accounting Changes and Restatement of Financial Statements

The implementation of GASB Statement No. 68 requires reporting the net pension liability, and related deferred inflows and outflows. As a result, the October 1, 2014 beginning net position of the Governmental activities of the government-wide financial statements were restated as follows:

	Governmental Activities	Business -Type Activities and Proprietary Fund
Net Position, October 1, 2014, previously stated	$ 1,668,254	$ -
Restatement of Net Position due FRS net pension liability, deferred inflows and deferred outflows	(126,439)	-
Net Position, October 1, 2014, restated	$ 1,541,815	$ -

In addition, the October 1, 2014 beginning balances on the long term debt schedules were restated to include the net pension liability.

Note 4 – Capital Assets

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

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
Capital assets not being depreciated:				
Land	$ 13,871	$ -	$ -	$ 13,871
Total capital assets not being depreciated	13,871	-	-	13,871
Other capital assets:				
Buildings	202,069	-	-	202,069
Improvements	15,225	-	-	15,225
Equipment	616,825	-	-	616,825
Total other capital assets, at historical cost	834,119	-	-	834,119
Less accumulated depreciation for:				
Buildings	(131,039)	(5,015)	-	(136,054)
Improvements	(12,105)	(833)	-	(12,938)
Equipment	(580,684)	(6,688)	-	(587,372)
Total accumulated depreciation	(723,828)	(12,536) *	-	(736,364)
Other capital assets, net	110,291	(12,536)	-	97,755
Governmental activities capital assets, net	$ 124,162	$ (12,536)	$ -	$ 111,626

*** Depreciation expense was charged to governmental functions as follows:**

Aquatic weed control	$ 5,516
Ditch maintenance	5,516
General and administrative	1,504
	$ 12,536

Note 5 - Retirement Plans

Florida Retirement System Retirement Plan

The District's employees participate in the Florida System Retirement Plan (the Plan), which is a conditionally qualified plan under Section 401(a) of the Internal Revenue Code. The Plan is a cost sharing public employee retirement system with one exception: All risks and costs are not shared by the District, but are the liability of the State of Florida. The Plan is funded through contributions by the District and the District has no legal obligation for paying benefits.

Generally, membership is mandatory for all employees. The District is required to contribute 7.26% for employees and 21.43% for senior management (percentage in effect at September 30, 2015) of the employees'/commissioners' gross earnings, less merit pay and bonuses. Effective July 1, 2011, employees are required to contribute 3% of gross earnings. The District made the required contribution, amounting to $22,377.

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, for from the Web site:
www.dms.myflorida.com/workforce_operations/retirement/publications.

FRS

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.

Note 5 - Retirement Plans (continued)

Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 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.

Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six 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 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. 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. Elected Officers' 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 3.0% (3.33% for judges and justices) 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, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support 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 5 - Retirement Plans (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%; Special Risk Administrative Support-42.07% and 32.95%; Special Risk-19.82% and 22.04%; Senior Management Service-21.14% and 21.43%; Elected Officers'-43.24% and 42.27%; and DROP participants-12.28% and 18.75%.

These employer contribution rates include 1.20% and 1.26% 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 $19,244 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 $107,158 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 .000830 percent, which was an increase of .000053 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the District recognized pension expense of $20,972. 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	$ 11,313	$ 2,541
Change of assumptions	7,112	-
Net difference between projected and actual earnings on pension plan investments	-	25,588
Changes in proportion and differences between district pension plan contributions and proportionate share of contributions	38,112	-
District pension plan contributions subsequent to the measurement date	4,788	-
Total	$ 61,325	$ 28,129

Note 5 - Retirement Plans (continued)

The deferred outflows of resources related to the Pension Plan, totaling $4,788 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:

Fiscal Year Ending September 30:	
2016	$ 6,606
2017	6,606
2018	6,606
2019	6,606
2020	1,984
Thereafter	$ -

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.

Note 5 - Retirement Plans (continued)

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

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 (-7.65%)	1% Increase (-8.65%)
District's proportionate share of the net pension liability	$277,671	$107,158	($34,737)

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.

Note 5 - Retirement Plans (continued)

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.

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 contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled $3,133 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 $58,150 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 .000570 percent, which was a decrease of .000008 percent from its proportionate share measured as of June 30, 2014.

Note 5 - Retirement Plans (continued)

For the fiscal year ended September 30, 2015, the District recognized pension expense of $18,036. In addition the District reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Change of assumptions	4,575	-
Net difference between projected and actual earnings on HIS plan investments	31	-
Changes in proportion and differences between district HIS plan contributions and proportionate share of contributions	2,401	606
District HIS plan contributions subsequent to the measurement date	677	-
Total	$ 7,684	$ 606

The deferred outflows of resources related to the HIS Plan, totaling $2,936 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:

Fiscal Years Ending September 30:	Amount
2016	$ 1,489
2017	1,489
2018	1,489
2019	1,489
2020	445
Thereafter	$ -

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.

Note 5 - Retirement Plans (continued)

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.

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 (-3.80%)	1% Increase (-4.80%)
District's proportionate share of the net pension liability	$66,259	$58,150	$51,388

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.

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.

Note 5 - Retirement Plans (continued)

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 Investment Plan pension expense totaled $1,032 for the fiscal year ended September 30, 2015.

Note 6 – Long-Term Liabilities

Long-term liabilities consist of net pension liabilities of $165,308. Additional information on the District's net pension liabilities can be found in Note 5 on pages 27 and 29.

Note 7 – Risk Management Programs

Workers' compensation coverage is provided by the District. Employees of the District are covered by purchased health insurance. The District contributes monthly for each employee to the plan, and employees at their option authorize payroll withholdings to pay for dependents. Employees authorize payroll withholdings and are responsible for all premiums.

General liability, professional liability, and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Commercial coverage has not been exceeded.

Note 8 – Economic Dependency

Approximately $148,000 in tax revenue was received from Fellsmere Joint Venture, a large agricultural concern and major landowner within the District.

Note 9 – Designated for Contingencies

A portion of the governmental activities/general fund has been earmarked by the Board of Supervisors for the purpose of acquisition of future assets and any contingency expenditures, which may arise. A total of $590,000 has been budgeted for such contingencies.

REQUIRED SUPPLEMENTARY INFORMATION

Fellsmere Water Control District

Schedule of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds Budget and Actual - General Fund

Year ended September 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes, net of discounts	$ 287,605	$ 287,605	$ 268,838	$ (18,767)
Interest	1,600	1,600	1,110	(490)
Other income	-	-	5,479	5,479
Total Revenues	289,205	289,205	275,427	(13,778)
Expenditures				
Aquatic Weed Control:				
Materials and other supplies	14,150	14,150	10,147	4,003
Contractual services	91,250	91,250	38,285	52,965
Chemicals	124,176	124,176	116,939	7,237
Total Aquatic Weed Control	229,576	229,576	165,371	64,205
Ditch Maintenance:				
Salaries and wages	41,140	41,140	43,160	(2,020)
Employee benefits	18,883	18,883	17,119	1,764
Materials and other supplies	80,406	80,406	28,866	51,540
Total Ditch Maintenance	140,429	140,429	89,145	51,284
General and Administrative:				
Salaries and wages	122,000	122,000	127,526	(5,526)
Employee benefits	87,614	87,614	93,052	(5,438)
Legal and professional	68,695	68,695	69,717	(1,022)
Insurance	26,293	26,293	14,227	12,066
Other	206,133	206,133	58,889	147,244
Total General and Administrative	510,735	510,735	363,411	147,324
Total Expenditures	880,740	880,740	617,927	262,813
Excess of Expenditures over Revenues Before Other Financing Sources (Uses)	(591,535)	(591,535)	(342,500)	249,035
Other Financing Sources:				
Transfer From (To) Unappropriated Fund Balance	591,535	591,535	-	(591,535)
Total Other Financing Sources	591,535	591,535	-	(591,535)
Net Change in Fund Balance	$ -	$ -	(342,500)	$ (342,500)
Fund Balance, beginning of year			1,544,092	
Fund Balance, end of year			$ 1,201,592	

See accompanying notes to the financial statements.

Fellsmere Water Control District
Schedule of the District's Proportional Share of Net Pension Liability
Last 10 Fiscal Years

Florida Retirement System (FRS)	2015	2014
District's proportion of the net pension liability	0.000829633%	0.00000776953
District's proportionate share of the net pension liability	$107,158	$47,406
District's Covered-employee Payroll	$170,686	$165,597
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	62.78%	28.63%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

Health Insurance Subsidy (HIS)	2015	2014
District's proportion of the net pension liability	0.000570182%	0.00000577992
District's proportionate share of the net pension liability	$58,150	$54,044
District's Covered-employee Payroll	$170,686	$165,597
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	34.07%	32.64%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%

Fellsmere Water Control District
Schedule of the District Contributions
Last 10 Fiscal Years

Florida Retirement System (FRS)	2015
Contractually required contribution	$ 19,244
Contributions in relation to the contractually required contribution	(19,244)
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 170,686
Contributions as a percentage of covered employee payroll	11.27%

Health Insurance Subsidy (HIS)	2015
Contractually required contribution	$ 3,133
Contributions in relation to the contractually required contribution	(3,133)
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 170,686
Contributions as a percentage of covered employee payroll	1.84%

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Supervisors
Fellsmere Water Control District
Fellsmere, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fellsmere Water Control 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 and have issued our report thereon dated June 23, 2016.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

To the Board of Supervisors
Fellsmere Water Control District
Fellsmere, Florida

Finding number 2015-1

Segregation of Duties

The limited size of the District's staff does not allow for proper segregation of duties in each phase of operations. This is not unusual in an organization of this size. Although segregation of duties is necessary for optimum efficiency in internal controls, management does not believe it is cost beneficial for the District. The high degree of involvement by the Board of Supervisors in the financial process also provides a degree of compensating control for this weakness.

Management Response

The District has an office staff consisting of two persons. The limited size of the staff does not allow for proper segregation of duties in each phase of operations. After this original finding by the auditors, the Board has increased their degree of participation in the financial process. The Board requires one signature of a Supervisor on all checks as well as the Superintendent, and as required by Chapter 298, the District pays all expenses through a warrant system signed by the President of the Board. Fellsmere Water Control District operates on a very limited budget making it impossible to reorganize the accounting functions to separate incompatible tasks by hiring at least one more full time equivalent accounting person. In order to hire someone, the District would need to have sustainable resources available to afford the expense of an additional employee. The Board understands the need to consider this as a prudent expense given all of the circumstances, but at this time does not feel it can justify the raising of assessments to achieve this goal.

Due to the limited size of the staff and funding limitations, segregation of duties will continue to be a deficiency. The Board of Supervisors will continue to participate to a high degree in the financial process, which will compensate to some extent for the inherent control deficiency.

Compliance and Other Matters

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

Fellsmere Water Control District's Response to Findings

Fellsmere Water Control District's response to the findings identified in our audit is described above. Fellsmere Water Control 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.

To the Board of Supervisors
Fellsmere Water Control District
Fellsmere, Florida

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.

Kmetz, Nuttall, Elwell, Graham

Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants
Vero Beach, Florida

June 23, 2016

Independent Auditors' Management Letter

To the Board of Supervisors

Fellsmere Water Control District
Fellsmere, Florida

Report on the Financial Statements

We have audited the basic financial statements of the Fellsmere Water Control District, as of and for the year ended September 30, 2015, and have issued our report thereon dated June 23, 2016.

Auditor's Responsibility

We have 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, and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

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 Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards,* Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, if any, which are dated June 23, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The segregation of duties reportable condition noted in the prior two years has not been corrected.

Fiscal year 2012 – 2013	Finding # 2013 – 1
Fiscal year 2013 – 2014	Finding # 2014 – 1
Fiscal year 2014 – 2015	Finding # 2015 – 1

Financial Condition

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

Pursuant to the Section 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 Fellsmere Water Control 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.

To the Board of Supervisors
Fellsmere Water Control District
Fellsmere, Florida

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determine as to whether the annual financial report for the Fellsmere Water Control District for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 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. In connection with our audit, we did not have any such 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 the Letter

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

Kmetz, Nuttall, Elwell, Graham

Kmetz, Nuttall, Elwell, Graham, PLLC
Certified Public Accountants
Vero Beach, Florida

June 23, 2016