

**Florida Inland Navigation District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2014**

**Florida Inland Navigation District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2014**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Commissioners  
Florida Inland Navigation District  
Jupiter, Florida

### Report on the Financial Statements

We have audited the accompanying basic financial statements of Florida Inland Navigation District (the "District") as of and for the year ended September 30, 2014, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

To the Board of Commissioners  
Florida Inland Navigation District

## **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the District as of September 30, 2014, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis to 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 principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. 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 May 20, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida Inland Navigation District internal control over financial reporting and compliance.

*Berger, Toombs, Elam,  
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

May 20, 2015

**Florida Inland Navigation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

Management's discussion and analysis of Florida Inland Navigation District's (the "District") financial performance provides an analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements of the District include three components; 1) *Government-wide financial statements*, 2) *Fund financial statements* and 3) *Notes to the financial statements*.

*Government-wide financial statements* provide readers with an overview of the District's financial activities for the year. They can be found on pages 11 and 12 of this report.

These statements include; a **Statement of Net Position** which presents information on all of the District's assets and liabilities and shows the net position and a **Statement of Activities** which presents information showing how the District's net position changed during the most recent fiscal year.

All of the District's programs are considered to be governmental activities and are all related to the maintenance and management of the Atlantic Intracoastal and Okeechobee Waterways. The District's primary source of funds for these activities is ad valorem tax revenues from the twelve member counties, Nassau through Miami-Dade.

*Fund financial statements* focus on the near term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the District's near term financing needs. These statements group related accounts so as to maintain control over resources that have been segregated for specific activities or objectives. The District uses a General Fund for this purpose, which is classified as a governmental fund.

*Fund financial statements* include a **Balance Sheet** and a **Statement of Revenues, Expenditures and Changes in Fund Balance** for the General Fund. A **Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual** is provided for the District's General Fund to demonstrate compliance. *Fund financial statements* provide more detailed information about the District's activities, and can be found on pages 13, 15 and 17 of this report.

**Florida Inland Navigation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The *government-wide financial statements* provide an overall picture of the District's financial standing. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including land, infrastructure and improvements and all liabilities, including accrued compensation are reported in the **Statement of Net Position**. The **Statement of Activities** includes depreciation on all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the General Fund of the District. In the case of governmental activities, outlays for long lived assets are reported as expenditures, and long-term liabilities, such as accrued compensation, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Explanations of the reconciling items between the governmental fund and the governmental activities can be found on pages 14 and 16 and in Note B on pages 27 through 29.

*Notes to the financial statements* 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 18-35 of this report.

**Financial Highlights**

The following are the highlights of financial activity for the year ended September 30, 2014.

- The District's total net position at the end of the fiscal year totaled \$178,410,343. Of this amount, approximately \$44 million is contracted or obligated funds that will be utilized to complete Assistance Program projects, Interlocal Agreement projects and Intracoastal Waterway (ICW) maintenance dredging. The investment in capital assets currently totals approximately \$107 million.
- The District's total fund balance at the end of the fiscal year totaled \$71,227,182. Of this amount, approximately \$53 million has been assigned for land acquisition, dredging projects, dredged material management area (DMMA) development, waterway studies and disaster relief as well as assistance projects, interlocal agreement projects and contracts.

**Florida Inland Navigation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Highlights (Continued)**

- Total revenues exceeded expenses by \$2,836,562. Ad valorem tax revenues collected from the District's 12 counties totaled \$21.1 million. The District also collected approximately \$337,000 from the previous sale of property to the City of Edgewater.
- The District's only long-term debt consists of a liability for compensated absences to employees in the amount of \$60,845.
- The District has a total of \$6,800,000 in prepaid funds on account with the U.S. Army Corps of Engineers (the "Corps") and the Port Everglades Authority for ICW maintenance dredging.
- Thirty four Waterway Assistance Program projects with local governments were completed during the year totaling \$7.84 million and with the local government's financial contribution to these projects, over \$15 million in public waterway infrastructure was created.
- There were not any Cooperative Assistance Program projects completed during the fiscal year; however, one project was approved during the year with a cost of \$75,000. Three other projects approved in the prior fiscal year, with costs of \$450,000, remain as unexpended at year end.
- During a dredging project on September 14, 2006, dredged material was released onto a 28 acre parcel of land owned by the District and St. Johns County. The contractor is primarily responsible for clean up and mitigation for the site. This matter is further discussed in the notes to the financial statements.
- The District expended \$1,135,883 for the construction of Dredged Material Management Areas. The sites were constructed as part of the District's Long Range Dredged Material Management Plan for the maintenance of the ICW.

**Florida Inland Navigation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District**

The following schedule provides a summary of the assets, liabilities and net position of the District and is presented by category for comparison purposes.

**Net Position**

Over time, net position may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$178,410,343 at the close of the most recent fiscal year. The majority of these net positions reflect the District's investment in land for the management of the waterway. The District has no related debt on these capital assets.

	<b>Governmental Activities</b>		<b>%</b>
	<b>2014</b>	<b>2013</b>	<b>Change</b>
Current assets	\$ 74,139,526	\$ 73,141,920	1.4%
Capital assets	107,244,006	107,168,479	0.1%
<b>Total Assets</b>	<b>181,383,532</b>	<b>180,310,399</b>	<b>0.6%</b>
Current liabilities	2,957,978	4,723,175	-37.4%
Non-current liabilities	15,211	13,443	13.2%
<b>Total Liabilities</b>	<b>2,973,189</b>	<b>4,736,618</b>	<b>-37.2%</b>
Invested in capital assets	107,244,006	107,168,479	0.1%
Restricted	44,054,045	41,163,767	7.0%
Unrestricted	27,112,292	27,241,535	-0.5%
<b>Total Net Position</b>	<b>\$ 178,410,343</b>	<b>\$ 175,573,781</b>	<b>1.6%</b>

The District's total net position at the end of the fiscal year totaled \$178,410,343; of this amount, approximately \$44 million is contracted or obligated funds that will be utilized to complete Assistance Program projects, Interlocal Agreement projects and ICW maintenance dredging. The investment in capital assets currently totals approximately \$107 million. The remaining balance of \$27.1 million is unrestricted and is available to meet the Districts ongoing obligations.

The decrease in current liabilities is attributed to the decrease in retainage payable as a result of the completion of contracts, the recognition of prior year unearned revenues, and a decrease in the number of completed Waterway Assistance Grant Projects for which payment is due.



**Florida Inland Navigation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District (Continued)**

Governmental activities increased the District's net position by \$2,836,562. Key elements of these changes are listed below.

	<b>Governmental Activities</b>		<b>%</b>
	<b>2014</b>	<b>2013</b>	<b>Change</b>
Governmental Revenues			
Ad valorem taxes	\$ 21,105,656	\$ 20,199,326	4.5%
Investment earnings	260,274	265,038	-1.8%
Reimbursement from other government	-	343,889	-100.0%
Miscellaneous revenues	276,650	1,464,859	-81.1%
Total Revenues	<u>21,642,580</u>	<u>22,273,112</u>	-2.8%
Expenses			
General government	1,755,966	1,686,003	4.1%
Physical environment	<u>17,050,052</u>	<u>16,257,737</u>	4.9%
Total Expenses	<u>18,806,018</u>	<u>17,943,740</u>	4.8%
Change in Net Position	2,836,562	4,329,372	-34.5%
Net Position - Beginning of Year	<u>175,573,781</u>	<u>171,244,409</u>	2.5%
Net Position - End of Year	<u><u>\$ 178,410,343</u></u>	<u><u>\$ 175,573,781</u></u>	1.6%

The decrease in revenues is primarily attributed to the reimbursement received from the Corps in the prior fiscal year for projects completed below projected cost and the litigation settlement received of \$1,050,000 related to DMMA SJ 14.

**Florida Inland Navigation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District's Funds**

The District has only one governmental fund which provides information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund fund balance increased \$3,094,566, from the prior year, to \$71,227,182 million as of September 30, 2014. The key factor attributing to the increase is the timing of projects authorized by the District through its Waterway and Cooperative Assistance grants programs. Of the total fund balance, \$53 million has been reserved for land acquisition, dredging projects, DMMA development, waterway studies and disaster relief as well as assistance projects and interlocal agreement projects contracts.

**Capital Assets**

During the fiscal year the District expended \$456,355 for the purchase of land, \$679,528 for the construction of DMMA's and \$10,471 for the purchase of office equipment. The FL-3 DMMA project was not completed as of September 2014, and is included in Construction in progress.

<b>Capital Assets</b>		
(Net of Depreciation)		
	<b>2014</b>	<b>2013</b>
Land and easements	\$ 79,485,636	\$ 79,029,281
Construction in progress	163,388	3,765,911
Building and improvements	19,630	26,424
Dredged material management	27,533,584	24,279,124
Furniture and equipment	41,768	67,739
<b>Total Capital Assets (Net)</b>	<b>\$ 107,244,006</b>	<b>\$ 107,168,479</b>

Additional information on the District's capital assets can be found in Note D in the notes to the financial statements.

**Florida Inland Navigation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Long-Term Debt**

The only long-term debt of the District is for compensated absences to employees that totaled \$60,845 at September 30, 2014.

**General Fund Budgetary Highlights**

During the year the District amended its budget using budget transfers and carry forward funds, and the major changes are summarized as follows.

*The following budgetary changes were funded using previously allocated but unspent funds:*

- A \$833,178 million decrease in the ICW Dredging account.
- A \$1.5 million increase in IRCO Reach One.
- A \$456,568 increase for the Dania Canal interlocal agreement.
- A \$600,000 increase in the construction in progress account related to DMMA NA-1.
- A \$2 million increase in five additional DMMA construction sites.
- A \$871,568 increase in Long range studies.

**Economic Factors and Next Year's Budget**

Florida Inland Navigation District does not anticipate any economic factors to have a significant effect on the financial position or results of operations of the District in fiscal year 2015.

The District is a partner with the U.S. Army Corps of Engineers in the maintenance and management of the Intracoastal and Okeechobee Waterways. Over the past several years, Federal budget cuts have required the District to increase its spending on waterway maintenance dredging and DMMA development to ensure safe and efficient navigation by our waterway users. The outlook on Federal funding for the waterways remains tight and could possibly be reduced even further. The District increased its millage rate in 1997 to address this federal shortfall but has not raised it since. The District's millage rate for fiscal year 2014 is .0345. This rate did not exceed the maximum millage rate allowed.

In the latter part of 2007, the real estate market experienced a significant drop in sales. As a result, property values have decreased. It is expected that the Property Appraisers will continue to adjust their property values assessments in the fiscal year ending September 30, 2015 to reflect the recent and continuing slight improvements in the real estate market.

**Florida Inland Navigation District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2014**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Economic Factors and Next Year's Budget (Continued)**

Interest rates on the District's investments plummeted to an average rate of less than 1%. All of the District deposits, excluding \$96,150 in the Local Government Surplus Funds Trust Fund, are Chapter 280 collateralized deposits. In addition, the District has implemented a conservative banking policy which utilizes the Bauer statewide banking report to objectively analyze qualified public depositories and their respective soundness. This has enabled the District to avoid banks that might be taken over by the Federal Deposit Insurance Corporation (FDIC).

**Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mark Crosley, Executive Director, Florida Inland Navigation District, 1314 Marcinski Road, Jupiter, Florida 33477.

**Florida Inland Navigation District**  
**STATEMENT OF NET POSITION**  
**September 30, 2014**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 33,963,064
Investments	33,253,253
Due from other governments	123,209
Prepaid items	6,800,000
Total Current Assets	74,139,526
Non-current Assets:	
Capital assets not being depreciated	79,649,024
Capital assets being depreciated	37,293,671
Less: accumulated depreciation	(9,698,689)
Total Non-current Assets	107,244,006
Total Assets	181,383,532
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	2,749,560
Retainage payable	162,784
Compensated absences	45,634
Total Current Liabilities	2,957,978
Non-current Liabilities:	
Compensated absences	15,211
Total Liabilities	2,973,189
 <b>NET POSITION</b>	
Net investment in capital assets	107,244,006
Unrestricted	71,166,337
Total Net Position	\$ 178,410,343

*See accompanying notes to financial statements .*

**Florida Inland Navigation District  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2014**

**Expenses by:**

**Functions/Programs**

Governmental Activities	
General government	\$ (1,755,966)
Physical environment	(17,050,052)
Total Governmental Activities	<u>(18,806,018)</u>
<b>General Revenues:</b>	
Ad valorem property taxes	21,105,656
Investment earnings	260,274
Miscellaneous revenues	276,650
Total General Revenues	<u>21,642,580</u>
Change in Net Position	2,836,562
Net Position - October 1, 2013	<u>175,573,781</u>
Net Position - September 30, 2014	<u><u>\$ 178,410,343</u></u>

*See accompanying notes to financial statements.*

**Florida Inland Navigation District  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
September 30, 2014**

<b>ASSETS</b>	<b>General Fund</b>
Cash and cash equivalents	\$ 33,963,064
Investments	33,253,253
Due from other governments	123,209
Prepaid expenses	<u>6,800,000</u>
Total Assets	<u><u>\$ 74,139,526</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 2,749,561
Retainage payable	<u>162,783</u>
Total Liabilities	<u>2,912,344</u>
<b>FUND BALANCES</b>	
Nonspendable	
Prepaid expenses	6,800,000
Assigned for:	
Dredging projects	19,699,263
Grants, interlocals and contracts	23,434,230
Land purchases	7,101,463
DMMA development	828,023
Waterway studies	920,552
Disaster relief	966,438
Unassigned	<u>11,477,213</u>
Total Fund Balances	<u>71,227,182</u>
Total Liabilities and Fund Balances	<u><u>\$ 74,139,526</u></u>

*See accompanying notes to financial statements.*

**Florida Inland Navigation District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2014**

Total Governmental Fund Balances	\$ 71,227,182
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets not being depreciated, land and easements, \$79,485,636, and construction in progress, \$163,388, used in governmental activities are not financial resources and; therefore, are not reported in the funds.	79,649,024
Capital assets being depreciated, building and improvements, \$195,404, dredged material management areas, \$36,752,871 and furniture and equipment, \$345,396, net of accumulated depreciation \$(9,698,689) used in governmental activities are not financial resources and therefore, are not reported in the funds.	27,594,982
Accrued compensated absences are not financial uses, and therefore, are not reported in the funds.	<u>(60,845)</u>
Net Position of Governmental Activities	<u><u>\$ 178,410,343</u></u>

*See accompanying notes to financial statements.*



**Florida Inland Navigation District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2014**

	<u>General Fund</u>
Revenues	
Ad valorem taxes	\$ 21,105,656
Investment earnings	260,274
Miscellaneous	613,668
Total Revenues	<u>21,979,598</u>
Expenditures	
Current	
General government	1,759,453
Physical environment	15,979,225
Capital outlay	1,146,354
Total Expenditures	<u>18,885,032</u>
Net Change in Fund Balances	<u>3,094,566</u>
Fund Balances - October 1, 2013	<u>68,132,616</u>
Fund Balances - September 30, 2014	<u><u>\$ 71,227,182</u></u>

*See accompanying notes to financial statements.*

**Florida Inland Navigation District**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$ 3,094,566
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount that capital outlay, \$1,146,354, exceeded depreciation expense, (\$1,070,827) in the current period.	75,527
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued compensated absences.	3,487
Collection of the note receivable is reported as a miscellaneous income in the governmental fund statements; however, in the Statement of Activities, this revenue was recognized in the year the loan was issued.	<u>(337,018)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,836,562</u></u>

*See accompanying notes to financial statements.*

**Florida Inland Navigation District**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended September 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
Revenues				
Ad valorem taxes	\$21,092,428	\$21,092,428	\$21,105,656	\$ 13,228
Investment income	250,000	250,000	260,274	10,274
Reimbursement from other government	3,600,000	3,600,000	-	(3,600,000)
Miscellaneous	339,000	339,000	613,668	274,668
Total Revenues	<u>25,281,428</u>	<u>25,281,428</u>	<u>21,979,598</u>	<u>(3,301,830)</u>
Expenditures				
Current				
General government				
Administration	1,076,021	1,076,021	1,126,416	(50,395)
Public information	165,308	183,308	99,610	83,698
Tax assessment commission	660,000	734,000	533,427	200,573
Physical environment				
Waterway assistance grants	36,840,363	34,010,907	9,114,633	24,896,274
Cooperative assistance grants	564,600	525,000	-	525,000
Operations	32,135,582	34,093,456	5,732,283	28,361,173
Interlocal agreements	1,077,119	1,313,856	383,897	929,959
Long range studies	797,396	1,668,964	748,412	920,552
Capital outlay	10,447,630	12,407,481	1,146,354	11,261,127
Total Expenditures	<u>83,764,019</u>	<u>86,012,993</u>	<u>18,885,032</u>	<u>67,127,961</u>
Net Change in Fund Balances	(58,482,591)	(60,731,565)	3,094,566	63,826,131
Fund Balances - October 1, 2013	<u>58,482,591</u>	<u>60,731,565</u>	<u>68,132,616</u>	<u>7,401,051</u>
Fund Balances - September 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$71,227,182</u>	<u>\$ 71,227,182</u>

See accompanying notes to financial statements.

**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

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

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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. Pronouncements of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The District's more significant accounting policies are described below.

**1. Reporting Entity**

The Florida Inland Navigation District (the "District") is an independent special taxing district created by the Florida Legislature on May 25, 1927 for the purpose of acting as the "local interest" authorizing and directing the improvement and maintenance of the Intracoastal Waterway from the City of Jacksonville, Florida to the City of Miami, Florida. In 1943, the Legislature made the District the local interest sponsor of that portion of the waterway between the Florida-Georgia border and the City of Jacksonville. In 2004, the Florida Legislature approved the addition of Nassau County to the District's taxing boundaries. Nassau County voters approved the District tax by referendum in November 2004 and the Governor appointed the first District Commissioner from Nassau County in March 2005. The District's boundaries include the twelve counties on the east coast of Florida from Nassau to Miami-Dade County, both inclusive. The District is governed by a twelve member Board of Commissioners, one from each county included in the District, appointed by the Governor. The Commissioners serve for a term of four years and select a chair from among the Commission members.

The Florida Legislature, in 1996, passed Chapters 374.980 through 374.988 F.S., "The Florida Inland Navigation District Law", amending, codifying and containing the complete charter of the District in association with Florida Statutes Sections 374.975-978, effective July 1, 1996. This law also repealed all previous special acts relating to the District with exception of Section 9 of Chapter 65-900 relating to the District's taxing authority.

The enabling legislation outlines the following responsibilities:

- Obtain and convey free of cost to the United States all lands necessary for a right of way and dredge material management for the Atlantic Intracoastal and Intracoastal waterways.
- Contract directly for, or enter into agreements with, the United States Army Corps of Engineers (the "Corps") or other agencies for waterway dredging or dredged material management area construction.
- Collect data on the advantages and benefits of the Intracoastal Waterway.
- Expend funds for publicizing the Intracoastal Waterway.
- Developing long-range plans for maintenance of the Intracoastal Waterway and for dredge material management.
- Acting as the local sponsor of the Okeechobee Waterway from the St. Lucie inlet to the St. Lucie lock.

**Florida Inland Navigation District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

**1. Reporting Entity (Continued)**

- Funding of projects under “Section 107, River and Harbor Act of 1960” in cooperation with the Corps.
- Provide funding assistance for beach re-nourishment and inlet management projects, within certain guidelines.
- Furnishing of financial support to local governments in the District for public navigation, public recreation, inlet management, environmental education and boating safety programs, within certain guidelines.
- Providing financial assistance within certain guidelines to the state and counties to pay part of the costs of acquisition, planning, development construction, reconstruction, extension, improvement, operation and maintenance of waterway related projects.
- Paying part of the costs of acquisition of dredge material management sites in cooperation with navigation-related districts.
- Assistance to port authorities for certain projects.
- The Florida Legislature, in 2005, amended the law to extend the District’s local interest responsibilities to that section of the Okeechobee Waterway between the St. Lucie lock and the western Palm Beach County line.

These financial statements present the Florida Inland Navigation District (the primary government) as a stand-alone government. The reporting entity for the District includes all functions of government in which the District’s Board exercises oversight responsibility including, but not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth by the Governmental Accounting Standards Board, the District has identified no component units.

**2. Measurement Focus and Bases of Accounting**

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

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

**2. Measurement Focus and Bases of Accounting (Continued)**

**a. Government-wide Financial Statements**

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. The District accounts for all financial resources in one fund, the General Fund, which includes all the governmental activities of the primary government.

Governmental activities are primarily supported by property tax revenues and investment income.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure.

**b. Fund Financial Statements**

The underlying accounting system of the District is organized and operated with one fund. The operations of that fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

Fund financial statements for the primary government's governmental fund are presented after the government-wide financial statements. These statements display information about the General Fund.

**Governmental Funds**

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 become measurable and available. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

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

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Ad valorem assessments and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Revenues for expenditure driven grants and interlocal agreements are recognized when the related expenditures are incurred. All other revenue items are considered to be measureable and available only when cash is received by the District.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than capitalized as fund assets.

The District implemented the Governmental Accounting Standards Board Statement 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications include non-spendable, restricted, committed, assigned and unassigned.

**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

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

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

The District has various policies governing the fund balance classifications.

*Nonspendable Fund Balance* – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted Fund Balance* – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

*Assigned Fund Balance* – This classification consists of the Board of Commissioners' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the Executive Director.

*Unassigned Fund Balance* – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy - When restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

**3. Basis of Presentation**

**a. Governmental Major Funds**

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**b. Non-current Governmental Assets/Liabilities**

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds, be reported in the governmental activities column in the government-wide Statement of Net position.



**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

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

**4. Assets, Liabilities and Net Position or Equity**

**a. Cash and Investments**

Chapter 280, 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. Cash and cash equivalents consist of cash on hand, time and demand deposits.

Funds in excess of those required to meet current or short term expenses may be invested, per the District's investment policy, in Certificates of Deposit (CD's), a fully insured interest bearing account such as money market with a local bank, or with the State Board of Administration (SBA). Limited in the aggregate, to five percent (5%) of the District's total investment portfolio may be invested in an alternate investment vehicle, authorized by Florida Statute.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. The Local Government Surplus Funds Trust as created by Section 218.415, Florida Statutes;
2. Securities and Exchange Commission, 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 which are secured by the United States Treasury;
5. Other investments authorized by law or resolution of the District.

Investments in the Local Government Surplus Funds Trust Fund and Fund B Surplus Funds Trust Fund are recorded at the value of the pool shares, which is fair value.

**b. Restricted Assets**

Pursuant to agreements with the Corps, the District has deposits in financial institutions held in escrow to pay for their share of the estimated costs of dredging and other waterway projects undertaken by the Corps. Fund balance is reserved and net positions are restricted to the extent of restricted assets available for dredging projects with the Corps. At the completion of the project, any unspent funds will be returned to the District. Qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

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

**4. Assets, Liabilities and Net Position or Equity (Continued)**

**c. Prepaid Items**

Florida Inland Navigation District funds certain projects relating to the management of the Intracoastal Waterway pursuant to agreements with the Corps. The District has funds on account with the Corps that may be returned or reallocated to other projects. Reported amounts in the governmental fund are equally offset by a reservation of fund balance in the fund financial statements, which indicates that these amounts do not constitute “available spendable resources” even though they are a component of current assets.

**d. Capital Assets and Depreciation**

Capital assets, which include land, buildings and equipment, are reported in the government-wide financial statements. When purchased, acquired or constructed for over \$1,000, capital assets are recorded as expenditures in the governmental fund and capitalized as assets in the government-wide statement of net position. Capital assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure, such as dredged material management areas, is capitalized along with other general capital assets at historical costs. The valuation basis for capital assets is historical cost. Donated capital assets are recorded at estimated fair value on the date donated.

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The estimated lives for each major class of depreciable capital assets are as follows:

Building and improvements	30 years
Dredged material management areas	15-50 years
Furniture and equipment	3-5 years

The District has easements on approximately 250 properties that cover an estimated 32,000 acres within the District. Additionally, another 25,000 acres of land is encompassed by the right of way easement for the Atlantic Intracoastal Waterway. The District’s easements are included in land, but do not represent fee simple ownership in real property.

**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

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

**4. Assets, Liabilities and Net Position or Equity (Continued)**

**d. Capital Assets and Depreciation (Continued)**

The easements represent the right of the District to use the easement site for waterway purposes at any time necessary. Therefore, the property may be rendered useless for any type of other development until the easement is released by the District. The District has developed a policy which states the conditions that must be met before an easement will be considered for release. The District will not release any easements until a comprehensive long-range study of its dredged material management needs is complete in that county. Easements for dredge material management may be released if they are not needed pursuant to the Long-Range Dredge Material Management Plan. Following District Board approval of the easement for release, the information is submitted to the Corps for their approval.

**e. Taxes Receivable – Property Taxes**

Under Florida Law, the assessment of all properties and collection of all county, municipal and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the District is established by the District Board of Commissioners prior to October 1<sup>st</sup> of each year at which time the various County Tax Collectors incorporate the District millage into the total tax levy, which includes the various county, municipal and other special district tax levies. All property is reassessed according to its fair value on January 1<sup>st</sup> of each year and certain residential property is limited to a 3% annual increase. Each County's assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all the appropriate requirements of State statutes.

All real and tangible personal property taxes are due and payable on November 1<sup>st</sup> each year. Each County mails to each property owner on the assessment roll, a notice of the taxes due and each County also collects the taxes for the District. Taxes may be paid upon receipt of such notice from each County, with discounts at the rate of 4% if paid in the month of November, 3% if paid in the month of December, 2% if paid in the month of January and 1% if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1<sup>st</sup> of the year following the year in which taxes were assessed. There were no material delinquent taxes at September 30, 2014.

**Florida Inland Navigation District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

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

**4. Assets, Liabilities and Net Position or Equity (Continued)**

**f. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave for regular employees. Up to 26 days of annual leave and 6 days of sick leave may be accrued during the year. Senior management employees earn 30 days of annual leave and 15 days of sick leave each year. If regular employees have annual vacation leave hours in excess of the 30 days maximum, at the end of the fiscal year all such excess leave will be cancelled and the employee will have the option to either be paid in cash for 50% of all such cancelled leave, or convert the cancelled hours to sick leave credits to be added to the accrual of unused sick leave credits. Senior management employees may accumulate up to 60 days of annual leave and sick leave. Any excess annual leave accrued over 60 days by senior management employees may be converted to sick leave. Sick leave accrued in excess of 60 days shall be lost. In the event of termination, an employee is reimbursed on a pro-rata basis for accumulated unused vacation days. Employees are reimbursed for 25% of accumulated sick leave upon leaving District employment in good standing. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured, for example, as a result of employee resignations or retirements.

**g. Net Position**

Equity in the government-wide statement of net position is displayed in three categories: 1) invested in capital assets net of related debt, 2) restricted and 3) unrestricted. Net position invested in capital assets net of related debt, consist of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net position consists of all net position that does not meet the definition of either of the other two components.

**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

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

**4. Assets, Liabilities and Net Position or Equity (Continued)**

**h. Budgets**

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 189 and Section 200.065, Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. Formal budgets are adopted for the general fund. The legal level of budgetary control is at the fund level.

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

“Total fund balances” of the District’s governmental funds (\$71,227,182) differs from “net position” of governmental activities (\$178,410,343) reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the Governmental Fund Balance Sheet. The effect of the differences is illustrated below.

**Capital related items**

When capital assets (improvements and infrastructure that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net position included those capital assets among the assets of the District as a whole.

Land and easements	\$ 79,485,636
Construction in progress - dredged material management areas	163,388
Buildings and improvements	195,404
Dredged material management areas	36,752,871
Furniture and equipment	345,396
Accumulated depreciation	(9,698,689)
Total	<u><u>\$ 107,244,006</u></u>

**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)**

**Accrued compensated absences**

Accrued compensated absences are not financial uses, therefore, are not reported in the fund.

Accrued compensated absences	<u>\$ (60,845)</u>
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**2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities**

The “net change in fund balances” for government funds (\$3,094,566) differs from the “change in net position” for governmental activities (\$2,836,562) reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Capital related items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decreased by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 1,146,354
Depreciation expense	<u>(1,070,827)</u>
Total	<u>\$ 75,527</u>

**Florida Inland Navigation District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities (Continued)**

**Long-term debt transactions**

Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net decrease in accrued compensated absences \$ 3,487

**Unearned revenues**

Some revenues are not recognized in the current period because the resources are not available; therefore, these revenues are not reported in the fund financial statements. The amount listed below is the net of the prior and current fiscal years and were included in the statement of activities in a prior year.

Net change in unearned revenues \$ (337,018)

**NOTE C – CASH AND INVESTMENTS**

**Deposits**

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and equivalents. The carrying value of these deposits at September 30, 2014 was \$33,963,064 and the bank balance was \$35,931,292. All the deposits were covered by FDIC or collateralized in accordance with the "Florida Security for Public Deposits Act".

**Investments**

The State Board of Administration (SBA) administers the Local Government Surplus Funds Trust Fund of which is governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Local Government Surplus Funds Trust Fund.

The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The fair value of the position in the Local Government Surplus Funds Trust Fund is equal to the value of the pool shares. The investments in the Local Government Surplus Funds Trust Fund is not insured by FDIC or any other governmental agency

**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE C – CASH AND INVESTMENTS (CONTINUED)**

Investments (Continued)

As of September 30, 2014, the District had the following investments and maturities:

<u>Investments</u>	<u>Maturity</u>	<u>Book Value</u>	<u>FMV</u>
State Board of Administration			
Local Government Surplus Funds	NA	\$ 78,935	\$ 78,935
Certificate of Deposit	4/30/2015	15,090,015	15,090,015
Certificate of Deposit	5/21/2015	5,004,872	5,004,872
Certificate of Deposit	1/19/2016	3,002,096	3,002,096
Certificate of Deposit	2/20/2016	5,009,478	5,009,478
Certificate of Deposit	5/25/2016	5,067,857	5,067,857
Total Investments		<u>\$33,253,253</u>	<u>\$ 33,253,253</u>

Concentration of Credit Risk

The District's investment policy states that investments shall be diversified to control the risk of loss resulting from concentration of assets. There is no cap on funds being invested in Certificates of Deposits (CD's), a fully insured interest bearing account (example being a money market account) with a local bank, or with the State Board of Administration. Alternative investment vehicles may be utilized; however, the investments will be limited in the aggregate to five percent (5%) of the District's total investment portfolio.

Interest Rate Risk

The District's investment policy limits interest rate risks by attempting to match investments with known cash needs and anticipated cash flow requirements. To meet the operating needs and any other unforeseen temporary cash requirements, the District maintains sufficient cash to cover all checks and wire transfers in liquid investments having a maturity of 90 days or less.



**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE C – CASH AND INVESTMENTS (CONTINUED)**

Credit Risk

The District's investments in government obligation mutual funds are limited by state statutory requirements. As of September 30, 2014, the investments in Certificates of Deposit consisted of 99% of the District's total investments. The State Board of Administration Fund Local Government Surplus Funds Trust Fund was rated AAAM by Standard and Poors. The investments in the State Board of Administration were less than 1% of the District's total investments.

**NOTE D – CAPITAL ASSETS**

	<u>October 1, 2013</u>			<u>September 30, 2014</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<b>Non-Depreciable Assets:</b>				
Land and easements	\$ 79,029,281	\$ 456,355	\$ -	\$ 79,485,636
Construction in progress	3,765,911	163,388	3,765,911	163,388
Total Non-Depreciable Assets	<u>82,795,192</u>	<u>619,743</u>	<u>3,765,911</u>	<u>79,649,024</u>
<b>Depreciable Capital Assets:</b>				
Building and improvements	195,404	-	-	195,404
Dredged material management areas	32,470,820	4,282,051	-	36,752,871
Furniture and equipment	342,422	10,471	7,497	345,396
Total Depreciable Assets	<u>33,008,646</u>	<u>4,292,522</u>	<u>7,497</u>	<u>37,293,671</u>
Total Capital Assets	<u>115,803,838</u>	<u>4,912,265</u>	<u>3,773,408</u>	<u>116,942,695</u>
<b>Accumulated Depreciation:</b>				
Building and improvements	(168,980)	(6,794)	-	(175,774)
Dredged material management areas	(8,191,696)	(1,027,591)	-	(9,219,287)
Furniture and equipment	(274,683)	(36,442)	(7,497)	(303,628)
Total Accumulated Depreciation	<u>(8,635,359)</u>	<u>(1,070,827)</u>	<u>(7,497)</u>	<u>(9,698,689)</u>
Depreciable Assets, Net of Depreciation	<u>24,373,287</u>	<u>3,221,695</u>	<u>-</u>	<u>27,594,982</u>
Total Capital Assets, Net of Depreciation	<u>\$ 107,168,479</u>	<u>\$ 3,841,438</u>	<u>\$ 3,765,911</u>	<u>\$ 107,244,006</u>

Depreciation expense in the amount of \$1,070,827 was charged to physical environment.

**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE E – PENSION PLAN**

All of Florida Inland Navigation District’s qualified employees participate in the Florida Retirement System (“FRS”), which is administered by the State of Florida Department of Management Services. Employees elect participation in either the defined benefit plan (“Pension Plan”), a multiple-employer cost sharing defined benefit retirement plan, or the defined contribution plan (“Investment Plan”) under the FRS. 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. The Florida Retirement System was established in 1970 by Chapter 121, Florida Statutes. Rules governing the operation and administration may be found in Chapter 60S of the Florida Administrative Code. Changes to the System can only be an act of the Florida Legislature.

Benefits are determined by category and length of service as follows:

Membership Category	Benefit	Vesting	July 1, 2012 Employee Contribution Rates	July 1, 2014 Employer Contribution Rates	July 1, 2013 Employer Contribution Rates
Regular	1.6% times years of service times average compensation (5 highest years) if age 62 or 30 years of service at any age	After 6 years of creditable service	3%	7.37%	6.95%
Senior Management	2% times years of service times average compensation (5 highest years) if age 62 or 30 years of service at any age	After 6 years of creditable service	3%	21.14%	18.31%
Deferred Retirement Option Program (DROP)	Accumulated FRS benefits earn 6.5% effective annual rate of interest compounded monthly for a period up to 60 months after becoming vested having reached normal retirement age and remaining employeed	Subject to normal FRS vesting provisions for membership category	0%	12.28%	12.84%

**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE E – PENSION PLAN (CONTINUED)**

For those employees who elect participation in the Investment Plan rather than the Pension Plan, vesting occurs at one year of service. These participants receive a contribution for self-direction in an investment product with a third party administrator selected by the State Board of Administration. No employee contributions are required. Participating employer contributions are based upon actuarially determined state-wide rates established by the State of Florida, that are expressed as percentages of annual covered payroll, adequate to accumulate sufficient assets to pay benefits when due. The employer contribution requirement for the years ended September 30, 2014, 2013 and 2012 were \$ 46,799, \$41,119, and \$31,594, respectively, which was equal to the required contribution for each year. Effective July 1, 2011, employees were required to contribute 3% and the employer contribution rate was reduced for all membership categories. Employee contributions for the years ended September 30, 2014, 2013 and 2012 totaled \$ \$15,899, \$19,645, and \$16,104, respectively.

The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000 or by calling 850-488-4742.

**NOTE F – LONG TERM DEBT**

The long term debt of the District consists of compensated absences. The changes for the year ended September 30, 2014 are:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	<u>\$ 64,332</u>	<u>\$ 47,752</u>	<u>\$ 51,239</u>	<u>\$ 60,845</u>	<u>\$ 45,634</u>

**NOTE G – COMMITMENTS AND CONTINGENCIES**

Waterway Assistance and Cooperative Assistance Programs

The District provides matching funds of up to 50% for waterway projects related to waterway access and recreation and up to 75% for public navigation programs. For the fiscal year ended September 30, 2014, the District had approved projects totaling approximately \$34.5 million, of which, approximately \$25 million remains to be paid upon completion of the projects. The remaining amount is included in the District's budget for the fiscal year ending September 30, 2015.

**Florida Inland Navigation District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2014**

**NOTE G – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Contracts and Interlocal Agreements

The District has entered into contracts for professional services related to waterway management. For the fiscal year ended September 30, 2014, the District had approved contracts totaling approximately \$1.3 million of which approximately \$730,000 remains to be paid upon completion of the projects. The remaining amount is included in the District's budget for the fiscal year ending September 30, 2015.

Grants

Grant monies received and disbursed by the District are for specific purposes and may be subject to audit by the grantor agencies. Such audits may result in requests for reimbursements due to disallowed expenditures or other actions by grantor agencies. The District does not believe that such disallowances or other actions taken by the grantor agencies, if any, would have a material effect on the financial position of the District.

Dredged Material Released at SJ-14

On September 14, 2006, a dredged material release occurred at District DMMA SJ-14 in St. Johns County. The Corps subcontracted the dredging project to a contractor, Dredge Enterprise, LLC, who allowed a release of dredged material and saline water from this DMMA site impacting surrounding freshwater wetlands owned by the District and St. John's County. The Florida Department of Environmental Protection (FDEP) instituted an enforcement case in this matter citing the District and the contractor with a violation of Florida law and the District's permit for the use of the property.

Dredge Enterprise, LLC removed a substantial amount of the dredged materials from the impacted wetlands and attempted an unsuccessful restoration. Subsequently, the Florida Department of Environmental Protection (FDEP) considers the District, as the owner and permit holder of the DMMA, to be responsible for the removal of the remaining dredged material and restoration and mitigation of the contaminated wetlands. The District filed suit against Dredge Enterprise, LLC in November 2008 for damages that resulted in the release of the dredged material and the costs incurred to restore the site. This suit was subsequently settled in May 2013 with the contractor's insurance company for \$1,050,000. The District, in turn, released Dredge Enterprise, LLC from any further liabilities.

A Consent Order with the FDEP was approved by the District's Board on April 17, 2009. This Consent Order requires the District to finish the cleanup of mud, salt and arsenic, to re-vegetate the impact areas, and to mitigate the functional loss of the wetlands. Additionally, a fine of \$57,551 was levied against the District for the spill as well as permit and monitoring violations. In the Consent Order, the FDEP agreed to sue the contractor for the spill.

**Florida Inland Navigation District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2014**

**NOTE G – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Dredged Material Released at SJ-14 (Continued)

The District's Memorandum of Agreement (MOA) with the Corps contains a paragraph (Paragraph 9) making the Corps responsible for correcting any problems caused by its contractors. The Corps has agreed to honor this clause if Congress makes the required funding available.

The District has been performing the tasks outlined in the Consent Order with FDEP and has expended \$1,504,873 during the year ended September 30, 2014 for the purchase of the mitigation credits and for salinity monitoring performed. The District estimates that it will take approximately up to an additional \$30,000 per year for the required on-going salinity monitoring and minor maintenance, in the efforts of fully completing the mitigation and restoration, as required by the Consent Order.

**NOTE H – 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; injuries to employees; and natural disasters. The District purchases commercial insurance for the risks of losses to which it is exposed. Policy limits and deductibles are reviewed annually by management and established at amounts which provide reasonable protection from significant financial loss. Settlements have not exceeded insurance coverage for any of the prior three fiscal years.

The District is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of districts to individual claims of \$100,000/\$200,000 for all claims relating to the same accident.



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

To the Board of Commissioners  
Florida Inland Navigation District  
Jupiter, 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 Florida Inland Navigation District, as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Florida Inland Navigation 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 Florida Inland Navigation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Florida Inland Navigation 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 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 charge 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Commissioners  
Florida Inland Navigation District

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Berger, Toombs, Elam,  
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

May 20, 2015



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## MANAGEMENT LETTER

To the Board of Commissioners  
Florida Inland Navigation District  
Jupiter, Florida

We have audited the financial statements of the Florida Inland Navigation District, Florida as of and for the year ended September 30, 2014, and have issued our report thereon dated May 20, 2015.

### 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 and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on examination conducted in accordance with *ACIPA 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 May 20, 2015 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 address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

### 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 Florida Inland Navigation District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that Florida Inland Navigation District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures. It is management's responsibility to monitor Florida Inland Navigation District's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same.



Florida Inland Navigation District  
Jupiter, Florida

### **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 Florida Inland Navigation 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, 2014. 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 this Letter**

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

*Berger, Toombs, Elam,  
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

May 20, 2015



**Berger, Toombs, Elam,  
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**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

To the Board of Commissioners  
Florida Inland Navigation District  
Jupiter, Florida

We have examined Florida Inland Navigation District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2014. Management is responsible for Florida Inland Navigation District's compliance with those requirements. Our responsibility is to express an opinion on Florida Inland Navigation District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Florida Inland Navigation 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 Florida Inland Navigation District's compliance with the specified requirements.

In our opinion, Florida Inland Navigation District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2014.

*Berger, Toombs, Elam,  
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

May 20, 2015