

SARASOTA BAY ESTUARY PROGRAM

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

**SARASOTA BAY ESTUARY PROGRAM
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sarasota Bay Estuary Program

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of Sarasota Bay Estuary Program (the Program) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Program'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, and each major fund of the Sarasota Bay Estuary Program, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note A to the financial statements in 2015, the Program adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The Program also adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date: An Amendment to GASB 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 8, budgetary comparison information on page 27, and schedules of proportionate share of net pension liability, contributions and notes on pages 28 – 32, 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 Sarasota Bay Estuary Program's basic financial statements. The schedule of expenditures of federal awards (SEFA), as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2016 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*
CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

June 17, 2016
Bradenton, Florida



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Management's Discussion and Analysis

As management of Sarasota Bay Estuary Program (the Program), we offer readers of the Program's financial statements this narrative overview and analysis of the financial activities of the Program for the fiscal year ended September 30, 2015.

Financial Highlights

- The assets of the Sarasota Bay Estuary Program exceeded its liabilities at the close of the most recent fiscal year by \$252,081 (*net position*). Beginning net position was restated and reduced by \$189,596 due to implementation of GASB Statement No. 68.
- The Program's total net position decreased by \$129,418.
- As of the close of the current fiscal year, the Program's governmental fund reported ending fund balance of \$441,339, a decrease of \$184,116. Of this total amount \$89,291 is assigned to projects and \$352,048, is unassigned (*unreserved fund balance*).

Overview of the Financial Statements

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

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

Board of Directors

City of Sarasota
City of Bradenton
Sarasota County
Manatee County
Town of Longboat Key

Federal Partners

U.S. Fish & Wildlife Service
U.S. Army Corp of Engineers
U.S. Environmental Protection Agency
National Oceanic & Atmospheric Administration

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

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

Both of the government-wide financial statements distinguish functions of the Program that are principally supported by grants and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Program is engaged in only governmental activities.

The government-wide financial statements can be found on pages 9 and 10 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 Program, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Program utilizes only a general fund, which is a governmental fund.

Governmental funds. Governmental funds 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. These funds are reported using the modified accrual method of accounting and the current financial resources focus. As a result long-term assets and liabilities are not included. The Program uses a General fund. The General Fund is the general operating fund. All general revenues are accounted for in this fund. From this fund all general operating expenditures, project expenditures and budgeted capital expenditures are paid.

A reconciliation to facilitate the comparison between the governmental fund financial statements and the government-wide financial statements is presented.

The Program adopts an annual budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11 to 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 beginning on page 15 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 Program, assets exceeded liabilities by \$252,081 at September 30, 2015.

The following table presents a condensed statement of net position as of September 30, 2015, with comparable totals as of September 30, 2014.

| Net Position | <u>2015</u> | <u>2014</u> |
|--|--------------------------|--------------------------|
| Current and other assets | \$ 528,739 | \$ 646,927 |
| Capital assets | <u>2,828</u> | <u>4,450</u> |
| Total assets | 531,567 | 651,377 |
| Deferred outflows of pension resources | 184,906 | -0- |
| Long-term liabilities outstanding | 328,830 | 58,810 |
| Other liabilities | <u>23,859</u> | <u>21,472</u> |
| Total liabilities | <u>352,689</u> | <u>80,282</u> |
| Deferred inflows of pension earnings | 111,703 | -0- |
| Net position: | | |
| Net investment in capital assets | 2,828 | 4,450 |
| Unrestricted | <u>249,253</u> | <u>566,645</u> |
| Total net position | <u>\$ 252,081</u> | <u>\$ 571,095</u> |

The Program's net position decreased by \$129,418 during the current fiscal year.

The following table presents the change in net position for the year ended September 30, 2015 with comparable totals for the year ended September 30, 2014.

| | Changes in Net Position | |
|--|--------------------------------|--------------------------|
| | <u>2015</u> | <u>2014</u> |
| Revenues: | | |
| Program Revenues: | | |
| Operating grants | \$ 538,000 | \$ 512,000 |
| Capital grants | 288,514 | 413,766 |
| General revenues: | | |
| Member contributions | 270,040 | 285,040 |
| In-kind contributions | 16,206 | -0- |
| Other | <u>50,166</u> | <u>26,721</u> |
| Total revenues | 1,162,926 | 1,237,527 |
| Expenses: | | |
| Physical environment | 1,290,722 | 1,371,889 |
| Depreciation and loss on disposal of assets | <u>1,622</u> | <u>2,042</u> |
| Total expenses | <u>1,292,344</u> | <u>1,373,931</u> |
| Increase (Decrease) in net position | (129,418) | (136,404) |
| Net position – Beginning, as previously stated | 571,095 | 707,499 |
| Prior period adjustment – GASB 68 | <u>(189,596)</u> | <u>-0-</u> |
| Net position, as restated | <u>381,499</u> | <u>707,499</u> |
| Net position – Ending | <u>\$ 252,081</u> | <u>\$ 571,095</u> |

The change in net position of the governmental activities are due to the following:

- Operating grants consist of amounts received from the U.S. Environmental Protection Agency (EPA) in support of the current budget work plan and pursuant to the current agreement. This grant covers approximately 50% of all eligible costs of the Program. Capital grants consist of revenues received pursuant to agreements with SWFWMD, U.S. Fish and Wildlife, EPA for tidal creek and North Water Tower Park projects, as well as others for projects. Member contributions represent the annual work plan contributions of the members to the Interlocal agreement, which established the Program. Physical environment expenses include personal services of \$495,966, operating expenses of \$126,293, and projects for conservation and resource management of \$670,085.

Revenues decreased \$74,601, mainly due to a decrease in grant revenues. Expenses decreased \$81,587 due mainly to projects decreases.

Financial Analysis of the Government's Funds

The Program utilizes only a Governmental Fund, which is the General Fund.

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

As of the end of the current fiscal year, the Program's general fund reported ending fund balance of \$441,339, a decrease of \$184,116 during the year ended September 30, 2015. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 27.4% percent of total general fund expenditures.

As noted above, the fund balance of the Program's general fund decreased by \$184,116 during the current fiscal year. Member Contributions were \$270,040 and consist of annual work plan contributions by the members of the Interlocal agreement, which established the Program. Grant income was \$762,973 and consisted of amounts from EPA, SWFWMD, and others for ongoing projects and operations of the Program. Other revenues totaled \$66,372. Expenditures were \$1,283,501 and consisted of the following: Projects for conservation and resource management of \$670,085, personal service costs of \$488,745, and operating costs of \$124,671.

General Fund Budgetary Highlights

The general fund budget was amended. Original budgeted revenues were \$1,884,659 compared to the final budget of \$1,912,659. Original budgeted expenditures were \$2,060,162 compared to the final budget of \$2,174,146. For the current fiscal year, actual revenues were less than final budgeted by \$813,274, due mainly to less in-kind and grant income than anticipated. Actual expenditures were less than final budgeted expenditures by \$890,645, due mainly to less project and personal service expenditures than anticipated.

The General Fund budget is presented as required supplementary information on page 27.

Capital Assets

The Program's investment in capital assets for the year ended September 30, 2015 amounts to \$2,828 (net of accumulated depreciation). This investment in capital assets includes equipment. The Program's investment in capital assets for the current fiscal year decreased by \$1,622. This was comprised of depreciation.

Capital Assets

| | <u>2015</u> | <u>2014</u> |
|-----------------------------|-----------------|-----------------|
| Equipment | \$ <u>2,828</u> | \$ <u>4,450</u> |
| Total (net of depreciation) | \$ <u>2,828</u> | \$ <u>4,450</u> |

See note B for additional information on the Program's capital assets.

Economic Factors and Next Year's Budget

The budget for the year ending September 30, 2016 continues to include several long term projects and rollover funding for citizen's/public outreach, habitat restoration (artificial reefs, wetlands and seagrass), fishery monitoring, macro-algal studies, oyster restoration, tributary analysis, and grant writing. All of these areas are key components of the mission of the Program to implement the Comprehensive Conservation and Management Plan (CCMP) to restore and protect Sarasota Bay. The fiscal year 2016 budget also includes additional funds for water quality; public outreach activities related to environmentally sensitive landscaping, in-school education, volunteerism and marketing through the Citizen Action Plan. The fiscal year 2016 budget has a separate EPA wetlands grant (in addition to the Workplan funding) for developing nutrient criteria for tidal creeks and a storm water demonstration project for low impact design through the Gulf of Mexico EPA grant program.

All of these factors were considered in preparing the Program's budget/work plan for the 2016 fiscal year and will affect the 2016 financial results.

Requests for Information

This financial report is designed to provide a general overview of the Sarasota Bay Estuary Program's finances for all those with an interest in the Program's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Program at, Sarasota Bay Estuary Program, 111 South Orange Avenue, Suite 200W Sarasota, Florida 34236.

**SARASOTA BAY ESTUARY PROGRAM
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

| | GOVERNMENTAL ACTIVITIES |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 288,965 |
| Investments | 61,871 |
| Due from other governments | 177,903 |
| Capital assets (net of accumulated depreciation): | |
| Equipment | 2,828 |
| Total Assets | <u>531,567</u> |
| Deferred outflows of pension resources | 184,906 |
| LIABILITIES | |
| Accounts payable and other current liabilities | 23,859 |
| Noncurrent liabilities: | |
| Due in more than one year | 328,830 |
| Total Liabilities | <u>352,689</u> |
| Deferred inflows of pension earnings | 111,703 |
| NET POSITION | |
| Net investment in capital assets | 2,828 |
| Unrestricted | <u>249,253</u> |
| TOTAL NET POSITION | <u><u>\$ 252,081</u></u> |

The accompanying notes are an integral part of these financial statements.

**SARASOTA BAY ESTUARY PROGRAM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| | |
|--|--------------------------|
| Physical Environment | |
| Capital Projects | \$ 670,085 |
| Personal services | 495,966 |
| Operating expenses | 124,671 |
| Depreciation and loss on sale of assets | 1,622 |
| Total Program Expenses | <u>1,292,344</u> |
| Program Revenues: | |
| Operating Grants | 538,000 |
| Capital grants | 288,514 |
| Total Program Revenues | <u>826,514</u> |
| Net Program Expense | <u>465,830</u> |
| General Revenues: | |
| Member Contributions | 270,040 |
| Investment Income (Loss) | 966 |
| In-Kind contributions | 16,206 |
| Miscellaneous | 49,200 |
| Total General Revenues | <u>336,412</u> |
| Increase (Decrease) in net position | (129,418) |
| Net Position - Beginning, as previously stated | 571,095 |
| Prior period adjustment-Note A | <u>(189,596)</u> |
| Net Position - Beginning, as restated | <u>381,499</u> |
| Net Position - Ending | <u><u>\$ 252,081</u></u> |

The accompanying notes are an integral part of these financial statements.

**SARASOTA BAY ESTUARY PROGRAM
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2015**

| | <u>General Fund</u> |
|---|------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 288,965 |
| Investments | 61,871 |
| Due from Other Governments | <u>177,903</u> |
| TOTAL ASSETS | <u>\$ 528,739</u> |
| LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND FUND BALANCES | |
| Liabilities | |
| Accounts payable | \$ 7,917 |
| Accrued wages payable | <u>15,942</u> |
| Total Liabilities | <u>23,859</u> |
| Deferred inflows of resources | |
| Unearned revenue | 63,541 |
| Fund Balances: | |
| Spendable: | |
| Assigned | 89,291 |
| Unassigned | <u>352,048</u> |
| Total fund balances | <u>441,339</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OR RESOURCES AND FUND BALANCES | <u>\$ 528,739</u> |

The accompanying notes are an integral part of these financial statements.

**SARASOTA BAY ESTUARY PROGRAM
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

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

| | |
|---|--------------------------|
| Fund Balance – Total Governmental Funds | \$ 441,339 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 2,828 |
| Deferred outflows of pension resources are not recognized in the governmental funds, however, they are recorded in the statement of net position under full accrual accounting | 184,906 |
| Deferred inflows of pension earnings are not recognized in the governmental funds, however, they are recorded in the statement of net position under full accrual accounting | (111,703) |
| Transactions recorded as revenues in the statement of activities, but did not meet the availability criteria under the modified accrual basis of accounting, and therefore are considered to be deferred inflows until available in the general fund. | 63,541 |
| Long-term liabilities, which includes net pension liability and compensated absences are not due and payable in the current period and therefore not reported in the funds. | <u>(328,830)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 252,081</u> |

The accompanying notes are an integral part of these financial statements.

**SARASOTA BAY ESTUARY PROGRAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| | General Fund |
|---------------------------------------|-------------------------|
| REVENUES | |
| Member contributions | \$ 270,040 |
| Investment Income (loss) | 966 |
| Grant Income | 762,973 |
| In-Kind Contributions | 16,206 |
| Other contributions | |
| Miscellaneous | 49,200 |
| Total Revenues | 1,099,385 |
| EXPENDITURES | |
| Current: | |
| Physical environment–capital projects | 670,085 |
| Personal service | 488,745 |
| Operating | 124,671 |
| Total Expenditures | 1,283,501 |
| Net Change in Fund Balances | (184,116) |
| FUND BALANCES – Beginning | 625,455 |
| FUND BALANCES – Ending | \$ 441,339 |

The accompanying notes are an integral part of these financial statements.

**SARASOTA BAY ESTUARY PROGRAM
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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

| | |
|---|-----------------------------------|
| Net changes in fund balances – total governmental funds | \$ (184,116) |
| 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 and reported as depreciation expense. This is the amount by which additions exceed depreciation expense and loss on disposal in the current period. | (1,622) |
| Revenues in the statement of activities that do not provide current financial resources as they do not meet the availability criteria and are not reported as revenues in the funds. This amount represents the change in unearned revenue. | 63,541 |
| Some expenses 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 amount represents the change in: | |
| Compensated absences | 19,619 |
| Net pension liability | (114,594) |
| Deferred outflows of pension resources | 66,254 |
| Deferred inflows of pension earnings | <u>21,500</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ (129,418)</u></u> |

The accompanying notes are an integral part of these financial statements.

**SARASOTA BAY ESTUARY PROGRAM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Sarasota Bay Estuary Program, Manatee and Sarasota Counties, Florida:

- (a) Reporting Entity – The Sarasota Bay Estuary Program (the Program) was established on July 23, 2004 by an Interlocal Agreement between the City of Sarasota, the City of Bradenton, the Florida Department of Environmental Protection, Sarasota County, Manatee County, the Southwest Florida Water Management District and the Town of Longboat Key.

The Program is part of a national network of twenty-eight estuary programs established under the Federal Clean Water Act and administered nationally by the U.S. Environmental Protection Agency.

The Program was created and operates pursuant to the provisions of Chapter 163.01, Florida statutes, and is an independent special district as prescribed in Chapter 189, Florida Statutes. The purpose of the Program is to improve and protect Sarasota Bay, by improving water quality, increasing habitat and enhancing the natural resources of the area for use and enjoyment by the public. The Program is governed by an appointed policy board, which is comprised of the member entities contained in the Interlocal agreement.

The financial statements were prepared in accordance with the Governmental Accounting Standards Board, (GASB). Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the Program's Board of Directors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the Program are such that, if excluded, the financial statements of the Program would be considered incomplete or misleading. There are no entities considered to be component units of the Program; therefore, the financial statements include only the operations of the Program.

- (b) Basis of Presentation – The Program's basic financial statements include Government-wide (which reports the Program as a whole) and Fund financial statements (which report only on the General Fund). The Basic Financial Statements present only governmental activities, as the Program conducts no business type activities.

Basis of Accounting: Basic Financial Statements – Government Wide Statements

The Government-Wide Financial Statements (Statement of Net Position and Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. For the most part, interfund activity has been removed from these statements. Government-wide financial statements include a Statement of Net Position and a Statement of Activities. The Statement of Net Position reports all financial and capital resources of the Program's governmental activities. It is presented in a net

**SARASOTA BAY ESTUARY PROGRAM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

position format (assets plus deferred outflows less liabilities plus deferred inflows equal net position) and shown with three components: net investment in capital assets, restricted net position and unrestricted net position. The Statement of Activities reports functional categories of programs provided by the Program, and demonstrates how and to what degree those programs are supported by specific revenue. The statement of activities reports direct expenses of the program offset by program revenues. Program revenues include operating and capital grants. Member contributions and other items not properly included in program revenues are reported as general revenues.

Basic Financial Statements – Fund Financial Statements – The Program’s accounts are organized on the basis of funds, which are a self-balancing set of accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures. The Program utilizes a Governmental fund, which is reported using the current financial resources method and the modified accrual basis of accounting. Under this method, revenues are recorded when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Sarasota Bay Estuary Program considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a fund liability is incurred. The Program reports the following governmental fund, which is considered a major fund:

Governmental Fund

General Fund – The General Fund is the general operating fund of the Sarasota Bay Estuary Program. All activities are accounted for in this Fund.

- (c) Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (d) Budgets and Budgetary Accounting –The Program prepares an annual operating budget for the fiscal year commencing October 1, on a basis consistent with U.S. generally accepted accounting principles. During the month of June each year, the Program prepares a tentative budget and publishes its intent to adopt a tentative budget. The policy board adopts the tentative budget each year during the month of June, after a required public hearing, covering proposed operation and requirements for the next fiscal year. The policy board, by September 30 and following appropriate public notice and hearing, will adopt the final budget, which becomes the operating and fiscal budget of the Program. Expenditures should not exceed the total appropriations. Appropriations lapse at the end of the year, except for long-term conservation and resource management projects, which are carried forward to the next year.

**SARASOTA BAY ESTUARY PROGRAM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (e) Cash and Investments – Florida Statute 218.415 authorizes the Sarasota Bay Estuary Program to invest in the following:
- (a) Local Government Surplus Funds Trust Fund (LGSF) or an intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act.
 - (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating company.
 - (c) Interest bearing time deposits or savings accounts in state-certified Qualified Public Depositories as defined in Section 280.02 Florida Statutes.
 - (d) Direct obligations of the U.S. Treasury.

At September 30, 2015, the Program had demand deposits held in a qualified public depository. Deposits whose values exceeded federal depository insurance limits were entirely insured or collateralized pursuant to Chapter 280 of the Florida Statutes. At September 30, 2015, the carrying amount of the Program's deposits were \$288,965 and the bank balance was \$389,466.

The Program has investments with the State Board of Administration, Florida PRIME Fund (Florida PRIME), which are administered by the Florida State Board of Administration. The Program's investments in Florida Prime are through shares owned in the fund and not the underlying investments. The Florida PRIME is considered a 2a7 like pool. The account balance in the Florida PRIME approximates its fair value. The Florida PRIME investments are subject to overnight withdrawal. There is a risk of loss of interest on the investments if there are changes in the underlying indexed base.

Interest Rate Risk

The Program does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Florida PRIME has weighted average days to maturity of 29 days.

Credit Risk

Florida PRIME invests in top-tier, money market assets of the highest quality and has a Standard and Poors rating of AAAM.

Foreign Currency Risk

Florida PRIME was not exposed to any foreign currency risk during the fiscal year.

**SARASOTA BAY ESTUARY PROGRAM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

At September 30, 2015, the Program had investments in the Florida PRIME with a fair value, of \$61,871. For further information regarding the Local Government Surplus Trust Funds Investment Pool, readers should refer to the financial statements and disclosures of the Florida State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool.

- (f) Receivables – Receivables in these financial statements represent amounts due from other governments. The total amount due at September 30, 2015 is \$177,903 and is primarily due from cost reimbursement grant programs. All amounts are deemed to be collectible and the receivable has been recorded at the amount expected to be received.
- (g) Capital Assets – Capital assets, which includes equipment, are reported in the government-wide financial statements. Capital assets are defined by the Program as assets with an initial, individual cost of more than \$500 and an estimated useful life of longer than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal repair and maintenance that do not add to the value of the asset or extend the useful life of the asset are expensed as incurred. The Program does not have infrastructure assets. Equipment is depreciated on a straight-line basis over five to seven years.
- (h) Long-Term Obligations – In the government-wide financial statements, long-term obligations are reported as liabilities. In the fund financial statements, no long-term obligations are reported as they are not due to be paid from current financial resources.
- (i) Compensated Absences – It is the Program’s policy to permit employees to accumulate earned but unused vacation benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured or are payable from current financial resources. Compensated absences are liquidated from the General Fund.

Activity in relation to long-term liabilities are as follows for the year ended September 30, 2015:

| | <u>Beginning</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending</u> |
|-----------------------|-------------------|-------------------|--------------------|-------------------|
| Compensated absences | \$ 58,810 | \$ 36,106 | \$ (55,725) | \$ 39,191 |
| Net pension liability | <u>175,045</u> | <u>114,594</u> | <u>-0-</u> | <u>289,639</u> |
| | <u>\$ 233,855</u> | <u>\$ 150,700</u> | <u>\$ (55,725)</u> | <u>\$ 328,830</u> |

**SARASOTA BAY ESTUARY PROGRAM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (j) Fund Balance – The Program follows GASB Statement No. 54. GASB 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable, and Spendable. Spendable is then further classified as Restricted, Committed, Assigned, and Unassigned, as applicable. These classifications reflect not only the nature of funds, but also provide clarity to the level of restrictions placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Program classified governmental fund balances as follows:

Nonspendable – includes amounts that cannot be spent either because they are not in a spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

- Restricted – includes amounts that can be spent only for specific purposes because of state or federal laws or enabling legislation, or which are externally restricted by providers, such as creditors or grantors.
- Committed – includes amounts that can be spent only for specific purposes that are determined by a formal action of the Board of Directors through a resolution, or passage of the budget.
- Assigned – includes amounts designated by the Board of Directors by a majority vote that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Program uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Program would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The Program does not have a formal minimum fund balance policy.

SARASOTA BAY ESTUARY PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

| <u>Spendable:</u> | <u>General Fund</u> |
|--------------------------|---------------------|
| Assigned to: Projects | \$ 89,291 |
| <u>Unassigned:</u> | |
| Unassigned | 352,048 |
| Total Fund Balances | <u>\$ 441,339</u> |

- (k) Change in Accounting Principles – During 2015, the Program implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27*, which was issued to establish financial reporting requirements for governments that provide employees with pension coverage. Additionally, the statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to the Program’s participation in the Florida Retirement System (FRS). The Program also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date: An amendment of GASB 68*. The implementation of these standards reduced the beginning net position at September 30, 2014 as reported in the Statement of Activities by \$189,596 which is the recognition of the Program’s proportionate share of the defined benefit pension plan net pension liability at September 30, 2014.
- (l) Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This 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. One item qualifies for reporting in this category. A deferred outflow of pension resources is reflected in the government-wide statement of net position.

In addition to liabilities, the statement of net 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Program has two items that qualify for reporting in this category. A deferred inflow of pension earnings is reported in the government-wide statement of net position. A deferred inflow of resources for unearned revenue that did not meet the availability criteria is recorded in the general fund.

SARASOTA BAY ESTUARY PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015

NOTE B – CAPITAL ASSETS

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Governmental Activities | | | | |
| Capital assets, being depreciated: | | | | |
| Equipment | \$ 13,322 | \$ -0- | \$ -0- | \$ 13,322 |
| Total capital assets, being depreciated | 13,322 | -0- | -0- | 13,322 |
| Less accumulated depreciation for: | | | | |
| Equipment | (8,872) | (1,622) | -0- | (10,494) |
| Total accumulated depreciation | (8,872) | (1,622) | -0- | (10,494) |
| Total capital assets, being depreciated, net | 4,450 | (1,622) | -0- | 2,828 |
| Governmental activities capital assets, net | <u>\$ 4,450</u> | <u>\$ (1,622)</u> | <u>\$ -0-</u> | <u>\$ 2,828</u> |

Depreciation expense was reported as a separate line in the statement of activities in the amount of \$1,622.

NOTE C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The reconciliation between the net changes in fund balances – total governmental fund as reported in the statement of revenues, expenditures and changes in fund balances, and the changes in net assets as reported in the statement of activities is included on page 14 of the basic financial statements. One line in that reconciliation explains that “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 and reported as depreciation expense. The detail of the difference is shown below:

| | |
|--|-------------------|
| Capital additions shown as expenditures in the funds | \$ -0- |
| Depreciation expense | (1,622) |
| | <u>\$ (1,622)</u> |

**SARASOTA BAY ESTUARY PROGRAM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE D – RETIREMENT PLAN

Plan Description

All part-time and full-time permanent employees of the Program are provided with pensions through the Florida Retirement System which is administered by the Florida Department of Management Services, Division of Retirement. The State of Florida issues a publicly available comprehensive annual financial report that can be obtained at <http://www.myfloridacfo.com/Division/AA/Reports/default.htm>.

Under this system, there are two defined benefit pension plans: The Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program:

- The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes.
- The Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes.

Benefits Provided

The FRS provides retirees a lifetime pension benefit with joint and survivor payment options. Benefits under FRS are computed on the basis of age and/or years of service, average final compensation and service credit. Credit for each year of service is expressed as a percentage of the average final compensation.

If first employed prior to July 1, 2011: Normal retirement age for “regular employees is 62 or 30 years of service and vesting occurs after 6 years of creditable service and vesting occurs after 6 years of creditable service. Normal retirement age for “special risk” employees is 55 or 25 years of service and vesting occurs after 6 years of creditable service. The average final compensation is the average of the five highest fiscal years’ earnings.

If first employed on or after July 1, 2011: Normal retirement age for “regular employees is 65 or 33 years of service and vesting occurs after 8 years of creditable service. Normal retirement age for “special risk” employees is 60 or 30 years of service and vesting occurs after 8 years of creditable service. The average final compensation is the average of the eight highest fiscal years’ earnings.

The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

**SARASOTA BAY ESTUARY PROGRAM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE D – RETIREMENT PLAN – CONTINUED

Under the HIS Plan, the benefit is a monthly payment to assist retirees in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the Maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree must provide proof of eligible health insurance coverage, which can include Medicare.

Contributions

Per Chapter 121, Florida Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the Florida Department of Management Services, Division of Retirement. Effective July 1, 2011, both employee and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. The Florida Legislature established a uniform contribution rate system for the FRS. The uniform rates are based on the class an employee is placed into which requires employees to contribute 3% and employers to contribute a specified percentage based on class. The Program's contractually required contribution rate for the year ended September 30, 2015, ranged from 21.14% – 21.43% for senior management, and 7.37% – 7.26% for regular employees, of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Program were \$42,527 for the year ended September 30, 2015.

Contributions for the year ended September 30, 2014, which equaled required contributions, were \$36,056 and approximated 11.6% of covered payroll. Contributions for the year ended September 30, 2013, which equaled required contributions, were \$21,248 and approximated 7% of covered payroll.

The HIS Program is funded by required contributions ranging from 1.11% to 1.20% and is included in the contribution rates noted above.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At September 30, 2015, the Program reported a liability of \$289,639 for its proportionate share of the net pension liability which includes both FRS and HIS. 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 Program's proportion of the net pension liability was based on a projection of the Program's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Program's proportion was .001401980% for FRS and .001064424% for HIS which was consistent with its proportion measured as of June 30, 2015.

**SARASOTA BAY ESTUARY PROGRAM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE D – RETIREMENT PLAN – CONTINUED

For the year ended September 30, 2015, the Program recognized pension expense of \$26,840. At September 30, 2015, the Program reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | FRS | | HIS | |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ 19,117 | \$ (4,295) | \$ -0- | \$ -0- |
| Changes in assumptions | 12,019 | -0- | 8,540 | -0- |
| Net difference between projected and actual earnings on pension plan investments | 63,783 | (107,023) | 59 | -0- |
| Changes in proportion and differences between contributions and proportionate share of contributions | 70,529 | -0- | 1,005 | (385) |
| Program contributions subsequent to the June 30, 2015 measurement date | 8,510 | -0- | 1,344 | -0- |
| | <u>\$ 173,958</u> | <u>\$ (111,318)</u> | <u>\$ 10,948</u> | <u>\$ (385)</u> |

Total deferred outflows were \$184,906 and total deferred inflows were \$111,703. \$8,510 (FRS) and \$1,344 (HIS) reported as deferred outflows of resources related to pensions resulting from Program contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending September 30: | FRS | HIS |
|---------------------------|------------------|-----------------|
| 2016 | \$ 6,808 | \$ 1,284 |
| 2017 | 6,808 | 1,284 |
| 2018 | 6,808 | 1,284 |
| 2019 | 6,808 | 1,284 |
| 2020 | 6,808 | 1,284 |
| Thereafter | 20,090 | 2,799 |
| | <u>\$ 54,130</u> | <u>\$ 9,219</u> |

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation (June 30, 2015 measurement date) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.6 percent |
| Salary increases | 3.25 percent, including inflation |
| Investment rate of return | 7.65 percent, including inflation at 2.60% |

Mortality rates were based on the generational RP-2000 with Projection Scale BB tables. The actuarial assumptions used in the June 30, 2015 FRS valuation were based on the results of an actuarial experience study performed in 2014 for the period July 1, 2008 – June 30, 2013. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for that Plan, but were based on certain results of the most recent experience study for the FRS Plan.

**SARASOTA BAY ESTUARY PROGRAM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE D – RETIREMENT PLAN – CONTINUED

Actuarial Assumptions – Continued

The long-term expected rate of return on pension plan investments was determined in October 2015 at the FRS Actuarial Assumptions conference based on a review of long-term assumptions developed both by Milliman’s capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults with the Florida State Board of Administration. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption, (2.60%). These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Annual Arithmetic Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00% | 3.2% |
| Fixed Income | 18.00% | 4.8% |
| Global Equity | 53.00% | 8.5% |
| Real Estate (property) | 10.00% | 6.8% |
| Private Equity | 6.00% | 11.9% |
| Strategic Investments | 12.00% | 6.7% |

Discount Rate

The discount rate used to measure the total FRS pension liability was 7.65%, and the HIS pension liability was 3.80%. The HIS rate decreased from 4.29% to 3.80% in the most recent actuarial study. The HIS rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Program’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Program’s proportionate share of the FRS net pension liability calculated using the discount rate of 7.65%, as well as what the Program’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

**SARASOTA BAY ESTUARY PROGRAM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE D – RETIREMENT PLAN – CONTINUED

Sensitivity of the Program's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Continued

| | <u>1% Decrease (6.65%)</u> | <u>Discount Rate (7.65%)</u> | <u>1% Increase (8.65%)</u> |
|--|--------------------------------|----------------------------------|--------------------------------|
| Program's proportionate share of the FRS net pension liability | \$ 469,231 | \$ 181,085 | \$ (58,701) |

The following presents the Program's proportionate share of the HIS net pension liability calculated using the discount rate of 3.80%, as well as what the Program's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (2.80%) or 1-percentage-point higher (4.80%) than the current rate:

| | <u>1% Decrease (2.80%)</u> | <u>Discount Rate (3.80%)</u> | <u>1% Increase (4.80%)</u> |
|--|--------------------------------|----------------------------------|--------------------------------|
| Program's proportionate share of the HIS net pension liability | \$ 123,693 | \$ 108,554 | \$ 95,931 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of Florida comprehensive annual financial report.

NOTE E – LEASE

The program leases office facilities under an operating lease from the City of Sarasota in accordance with an interlocal agreement between the Program and the City of Sarasota. The lease was renewed in October of 2012 for a 5 year term. Rent increased October 1, 2014 by the consumer price index (CPI) up to a maximum of 5%. Current year rent expense was \$29,866.

Future commitments under the lease agreement are as follows:

| | |
|----------------------|-----------|
| <u>September 30,</u> | |
| 2016 | \$ 29,866 |
| 2017 | \$ 29,866 |

NOTE F – RISK MANAGEMENT

The Program is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Program carries commercial insurance.

REQUIRED SUPPLEMENTAL INFORMATION

**SARASOTA BAY ESTUARY PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES –BUDGET AND ACTUAL–GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE) |
|---|--------------------|-------------------|-------------------|---|
| REVENUES | | | | |
| Member Contributions | \$ 296,000 | \$ 307,250 | \$ 270,040 | \$ (37,210) |
| Investment Income (Loss) | 4,000 | 4,000 | 966 | (3,034) |
| Grant Income | 1,362,159 | 1,364,559 | 762,973 | (601,586) |
| In-kind revenue | 222,500 | 222,500 | 16,206 | (206,294) |
| Other income | - | 14,350 | 49,200 | 34,850 |
| Total Revenues | 1,884,659 | 1,912,659 | 1,099,385 | (813,274) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Physical environment-capital projects | 1,389,559 | 1,503,543 | 670,085 | 833,458 |
| Personal Services | 545,909 | 545,909 | 488,745 | 57,164 |
| Operating | 124,694 | 124,694 | 124,671 | 23 |
| Capital Outlay | - | - | - | - |
| Total Expenditures | 2,060,162 | 2,174,146 | 1,283,501 | 890,645 |
| Excess of revenues over expenditures | (175,503) | (261,487) | (184,116) | 77,371 |
| FUND BALANCES – Beginning | 625,455 | 625,455 | 625,455 | - |
| FUND BALANCES – Ending | \$ 449,952 | \$ 363,968 | \$ 441,339 | \$ 77,371 |

Note 1 – Basis of Budgeting

The budget basis is in accordance with accounting standards generally accepted in the United States of America.

SARASOTA BAY ESTUARY PROGRAM
SCHEDULE OF THE PROGRAM'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SEPTEMBER 30, 2015

FLORIDA RETIREMENT SYSTEM (FRS)
 Last Two Fiscal Years *

| | <u>2014</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Program's proportion of the net pension liability | 0.001257554% | 0.001401980% |
| Program's proportionate share of the net pension liability | \$ 76,729 | \$ 181,085 |
| Program's covered-employee payroll | <u>\$ 310,536</u> | <u>\$ 304,172</u> |
| Program's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 25% | 60% |
| Plan fiduciary net position as a percentage of total pension liability | 96.09% | 92.00% |

* - GASB No. 68 was adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

SARASOTA BAY ESTUARY PROGRAM
SCHEDULE OF THE PROGRAM'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SEPTEMBER 30, 2015

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)
 Last Two Fiscal Years *

| | <u>2014</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Program's proportion of the net pension liability | 0.001051478% | 0.001064424% |
| Program's proportionate share of the net pension liability | \$ 98,316 | \$ 108,554 |
| Program's covered-employee payroll | <u>\$ 310,536</u> | <u>\$ 304,172</u> |
| Program's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 32% | 36% |
| Plan fiduciary net position as a percentage of total pension liability | 0.99% | 0.50% |

* - GASB No. 68 was adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

**SARASOTA BAY ESTUARY PROGRAM
SCHEDULE OF THE PROGRAM'S CONTRIBUTIONS
SEPTEMBER 30, 2015**

FLORIDA RETIREMENT SYSTEM (FRS)
Last Two Fiscal Years *

| | <u>2014</u> | <u>2015</u> |
|--|---------------|---------------|
| Contractually required contribution ** | \$ 27,546 | \$ 34,181 |
| Contributions in relation to the contractually required contribution | <u>27,546</u> | <u>34,181</u> |
| Contribution deficiency (excess) | \$ - | \$ - |
| Program's covered-employee payroll | \$ 310,536 | \$ 304,172 |
| Contributions as a percentage of covered-employee payroll | 8.87% | 11.24% |

* - GASB No. 68 was adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

** - contributions noted per this schedule are pursuant to the measurement date of the actuarial report.

SARASOTA BAY ESTUARY PROGRAM
SCHEDULE OF THE PROGRAM'S CONTRIBUTIONS
SEPTEMBER 30, 2015

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)
 Last Two Fiscal Years *

| | <u>2014</u> | <u>2015</u> |
|--|--------------|--------------|
| Contractually required contribution ** | \$ 3,062 | \$ 4,069 |
| Contributions in relation to the contractually required contribution | <u>3,062</u> | <u>4,069</u> |
| Contribution deficiency (excess) | \$ - | \$ - |
| Program's covered-employee payroll | \$ 310,536 | \$ 304,172 |
| Contributions as a percentage of covered-employee payroll | 0.99% | 1.34% |

* - GASB No. 68 was adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

** - contributions noted per this schedule are pursuant to the measurement date of the actuarial report.

**SARASOTA BAY ESTUARY PROGRAM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015**

ACTUARIAL METHODS AND ASSUMPTIONS

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

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2015, using the individual entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% (based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index) was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2015:

- FRS: There were no changes in actuarial assumptions. The inflation rate remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%.
- HIS: The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.

OTHER SUPPLEMENTAL INFORMATION

SARASOTA BAY ESTUARY PROGRAM
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

| <u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u> | <u>CFDA Number</u> | <u>Federal Expenditures</u> |
|--|------------------------|---------------------------------|
| <u>U.S. Environmental Protection Agency</u> | | |
| National Estuary Program | 66.456 | \$ 538,000 |
| Regional Wetlands Program Development Grants | 66.461 | 48,507 |
| Gulf of Mexico Program | 66.475 | <u>91,056</u> |
| Total U.S. Environmental Protection Agency | | <u>677,563</u> |
| | | |
| Total Expenditures of Federal Awards | | <u><u>\$ 677,563</u></u> |

The independent auditor's report should be read in conjunction with this schedule.

**SARASOTA BAY ESTUARY PROGRAM
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sarasota Bay Estuary Program and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

OTHER AUDITOR'S REPORTS

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 Directors
Sarasota Bay Estuary Program

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, and each major fund of Sarasota Bay Estuary Program (the Program), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated June 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 Program'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program'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*.

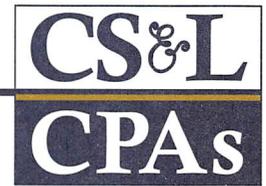
Purpose of this Report

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.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*

CHRISTOPHER SMITH, LEONARD,
BRISTOW & STANELL, P.A.

June 17, 2016
Bradenton, Florida



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Sarasota Bay Estuary Program

Report on Compliance for Each Major Federal Program

We have audited Sarasota Bay Estuary Program's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sarasota Bay Estuary Program's major federal programs for the year ended September 30, 2015. Sarasota Bay Estuary Program's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sarasota Bay Estuary Program's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sarasota Bay Estuary Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sarasota Bay Estuary Program's compliance.

Opinion on Each Major Federal Program

In our opinion, Sarasota Bay Estuary Program complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of Sarasota Bay Estuary Program is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sarasota Bay Estuary Program's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sarasota Bay Estuary Program's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of the testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*
CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

June 17, 2016
Bradenton, Florida

**SARASOTA BAY ESTUARY PROGRAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Section I – Summary of Auditors’ Results

Financial Statements

Type of Auditor’s report issued: Unmodified Opinion

Internal Control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(s) identified not considered to be material weakness(es)? yes x none reported

Noncompliance material to basic financial statements noted? yes x no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(s) identified not considered to be material weakness(es)? yes x none reported

Type of auditor’s report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section 510(a)) yes x no

Identification of Major Programs:

CFDA Number

United States Environmental Protection Agency,
National Estuary Program 66.456

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? x yes no

**SARASOTA BAY ESTUARY PROGRAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Section II – Financial Statement Findings

No matters were reported

PRIOR YEAR FINDINGS

This section is not applicable as there were no findings in the prior year.

Section III – Federal Award Findings and Questioned Costs

No matters were reported

PRIOR YEAR FINDINGS

This section is not applicable as there were no findings in the prior year.



MANAGEMENT LETTER

Board of Directors
Sarasota Bay Estuary Program

Report on the Financial Statements

We have audited the financial statements of the Sarasota Bay Estuary Program as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 17, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.550, Rules of the Florida 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*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance, Schedule of Findings and Questioned Costs, 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 and schedule, which are dated June 17, 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 findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding audit report.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not Sarasota Bay Estuary Program has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Sarasota Bay Estuary Program was not in a state of financial emergency and as a result, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.544(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Sarasota Bay Estuary Program's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Sarasota Bay Estuary Program for the fiscal year ended September 30, 2015, 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, required 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 Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Christopher, Smith, Leonard,
Bristow + Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

June 17, 2016
Bradenton, Florida



INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

Board of Directors
Sarasota Bay Estuary Program
Sarasota, Florida

We have examined the Sarasota Bay Estuary Program's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the Program's compliance with those requirements. Our responsibility is to express an opinion on the Program's compliance based on our examination.

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

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

This report is intended solely for the information and use of the Sarasota Bay Estuary Program and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*
CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

June 17, 2016
Bradenton, Florida