

SOUTH FLORIDA REGIONAL COUNCIL
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

**SOUTH FLORIDA REGIONAL COUNCIL
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Council Members of the
South Florida Regional Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Florida Regional Council (the "Council") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County'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 Council as of September 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 37-40 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 Council's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 relate 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 30, 2017, on our consideration of the Council's internal control over financial reporting and on

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

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above a light blue horizontal line.

Hollywood, Florida
June 30, 2017

**SOUTH FLORIDA REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

This section of the Council's financial statement presents management's analysis of the Council's financial performance during the year ended September 30, 2016. It is presented to enhance the usefulness of the Council's basic financial statements. Please read this narrative in conjunction with the financial statements, which follow this section.

Financial Highlights

- The Council implemented the reporting requirements of Governmental Accounting Standards Board Statement Number 68 (GASB 68) during its fiscal year ended September 30, 2015. This reporting change had two components. First the accounting method for accounting for the pension expense during the fiscal year changed from the funded method (total amount paid to FRS) to the period accounting method. The difference between the amounts we pay into the Florida Retirement System (FRS) and the new amount we record as expense is reflected in either Deferred outflows or Deferred inflows. The second requirement was to report the Council's proportionate share of the State of Florida's Net Pension Liability. The Council's proportionate share of the \$36.9 Billion State of Florida Net Pension Liability (including the Health Insurance Supplement) as of September 30, 2016, is \$1,195,292. The Council's assets and deferred outflows less liabilities and deferred inflows increased by \$462,930 during the year ended September 30, 2016.
- The assets and deferred outflows of the Council as reported in the government-wide financial statements exceeded the liabilities and deferred inflows as of September 30, 2016, by \$5,249,902 (net position). This amount represents an increase of (\$462,930) or (9.7%) higher than the prior year. This increase was mainly due to a reduction in in the allowance for loan losses of \$298,057.
- The Council has decided to exclude the Small Business Emergency Bridge Loan fund because, as of September 30, 2016, the current receivable balance for Broward, Dade and Monroe are in default. The Council has contacted the state office responsible for closing out this grant and transferring the defaulted loans. Therefore, the Council has excluded the accounts related to the Small Business Emergency Bridge Loan fund from the statement of net position. They are displayed in a separate column.

**SOUTH FLORIDA REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Overview of the Financial Statements

The Council's basic financial statements consist of: 1) *government-wide statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*. Other supplementary information is also included in the report.

Required Basic Financial Statements

The Council utilizes a governmental fund for its financial reporting purposes. As the Council presents financial information using the governmental fund, the Council has elected to present its government-wide statements and fund statements in one set of statements with an adjusting column reconciling the two sets of statements.

The *government-wide financial statements* include the Statement of Net Position and the Statement of Activities, which provide information about the activities of the Council as a whole, and present a longer-term view of the Council's finances. These two statements report the net position of the Council and changes in them. You can think of the Council's net position - the difference between assets and deferred outflows minus liabilities and deferred inflows - as one way to measure financial health or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating. However, to assess the overall financial position of the Council, you will need to consider other non-financial factors, such as the condition of the Council's capital assets, the addition or termination of grants and other revenue sources, and the expansion or contraction of programs and services. The Council reports this information using the accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all the Council's assets and deferred outflows minus liabilities and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to Council creditors (liabilities).

All the current year's revenues and expenses are accounted for in the statement of activities. This statement presents information showing how the Council's net position changed during the 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 the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected contract and grant revenues, and earned, but unused vacation leave).

Both the *statement of net position* and the *statement of activities* of the government-wide financial statements distinguish functions of the Council that are supported by membership assessments, planning projects (federal, state and local grants/contracts), and revolving loan portfolios.

**SOUTH FLORIDA REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Overview of the Financial Statements (cont'd)

The Council's activities include administration function and long-range regional planning goals, and various revolving loan program service functions. The long-range regional planning goals function is comprised of a wide array of services including strategic plan development and comprehensive plan review, development of regional impact review and providing technical assistance and expertise in a number of fields including transportation, economic development, geographic information services, affordable housing, emergency preparedness, land use, and natural resources planning. All activities of the Council are governmental activities.

Fund Financial Statements

Fund financial statements tell how the Council's services were financed in the short term as well as what remains for future spending. The Council utilizes three funds to account for its activities: the general fund, special revenue planning project funds, and revolving loan funds. The general fund is used to account for all financial resources except those required to be accounted for in another fund. Special Revenue Fund is used to account for revenues derived from specific sources, which are usually required by law or regulation to be accounted for in separate funds. As of September 30, 2016, the Project Planning Funds and the Revolving Loan Funds including; the Consolidated Fund, EPA Brownfield revolving loan fund, and the Small Business Emergency Bridge Loan (OTTED) are included in this fund type. The SFRPI Fund reports the financial activity for the Southeast Florida Regional Prosperity Institute, Inc. ("SFRPI"), a component unit of the Council, and is reported as a fund for financial statement purposes. The fund statements provide a detailed short-term view of the Council's operations and the basic services it provides.

Governmental fund information helps you determine whether there are financial resources that can be spent in the near future to finance the Council's operations. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation as discussed above.

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements.

Financial Analysis

Government-Wide Analysis

The Government-wide statements report the Council's net position and how they have changed. Table A-1 presents the net position of the Council which measures the Council's financial health, or position. Our analysis and a summary of the Council's statements of net position is presented in Table A-1.

**SOUTH FLORIDA REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Financial Analysis (cont'd)
Government-Wide Analysis (cont'd)

Table A-1

**Condensed Statement of Net Position Excluding
Small Business Emergency Bridge Loan (in thousands of dollars)**

	<u>2016</u>	<u>2015</u>
Current assets, net of loans receivable	\$ 3,075	\$ 2,514
Loans receivable, net	3,030	3,268
Capital assets, net of depreciation	198	202
Non-current assets	23	28
Total assets	<u>\$ 6,326</u>	<u>\$ 6,012</u>
Deferred outflows	<u>\$ 435</u>	<u>\$ 302</u>
Current liabilities	\$ 222	\$ 429
Non-current liabilities	<u>1,245</u>	<u>803</u>
Total liabilities	<u>\$ 1,467</u>	<u>\$ 1,232</u>
Deferred inflows	<u>\$ 44</u>	<u>\$ 295</u>
Net position:		
Net investment in capital assets	198	202
Restricted	5,460	5,134
Deficiency in net assets/unrestricted	<u>(408)</u>	<u>(549)</u>
Total net position	<u>\$ 5,250</u>	<u>\$ 4,787</u>

As noted earlier, net position may serve over time as a useful indicator of the Council's financial position. As of September 30, 2016, and 2015, the Council's total assets and deferred outflows exceeded its total liabilities and deferred inflows by \$5,249,902 and \$4,786,971, respectively, an increase of \$462,931 from 2015. This increase was mainly due to a reduction in in the allowance for loan losses of \$298,057.

Unrestricted net position at September 30, 2016 and 2015 were approximately (\$407,709) and (\$549,253) respectively. The deficit net position is the result of the retroactive implementation of GASB 68 in the fiscal year ending September 30, 2015, which restated (reduced) the unrestricted net position as of October 1, 2014, by \$720,240 to account for the Net Pension Liability (NPL) as of that date. However, there was an improvement in the unrestricted net position of \$141,544 during the current fiscal year.

Restricted net position increased by \$326,387 or 6.4% to \$5,460,058. This increase was mainly due to a reduction in in the allowance for loan losses of \$298,057 as of September 30, 2016,.

The Council's net investment in capital assets was \$197,553 and \$202,553 as of September 30, 2016, and 2015 respectively.

**SOUTH FLORIDA REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Financial Analysis (cont'd)

Government-Wide Analysis (cont'd)

Table A-2 illustrates the revenues and expenses that caused the change in the Council's total net position.

Table A-2

Condensed Statement of Activities (in thousands of dollars)

	<u>2016</u>	<u>2015</u>
REVENUES:		
Membership assessments	\$ 802	\$ 756
Federal, State and local grants	1,233	1,287
D.R.I. fees	196	47
Interest	234	227
Other income	<u>145</u>	<u>43</u>
Total Revenues	<u>2,610</u>	<u>2,360</u>
EXPENSES:		
Current:		
Comprehensive planning:		
Personnel services	1,218	1,222
Operating expenses	924	2,533
Depreciation and amortization	<u>5</u>	<u>5</u>
Total Expenses	<u>2,147</u>	<u>3,760</u>
Change in net position	463	(1,400)
Net position, beginning of year *	<u>5,715</u>	<u>7,115</u>
Net position, end of year	6,178	5,715
Less: Small Business Loan Fund Balance	<u>(928)</u>	<u>(928)</u>
Net position, end of year restated with the exclusion	<u>\$ 5,250</u>	<u>\$ 4,787</u>

In 2016, total revenues of \$2,610,095 increased by \$250,260 as compared to fiscal 2015. The increase in revenue was mainly due to an increase in membership assessments of \$46,234.

Total expenditures of \$2,146,999 for the year ended September 30, 2016 represent a decrease of \$1,612,633. This decrease is mainly due to an increase in the allowance for loan losses during fiscal year 2015, of \$1,231,378, coupled with a reduction in the allowance for loan losses of \$298,057 in fiscal year 2016.

**SOUTH FLORIDA REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Capital Assets and Debt Administration

For the years ended September 30, 2016 and 2015, the Council had approximately \$198,000 and \$202,000 in fixed assets, respectively, net of accumulated depreciation. There were no additions to capital assets for the year ended September 30, 2016.

The Council does not have any long-term debt related to its capital assets and does not utilize debt as a matter of policy.

Individual Fund Analysis

Since the Council only has governmental funds/activities, the explanations provided above for the Statement of Activities regarding changes in net position also substantially explain the change in fund balance as a result of the Statement of Revenues, Expenditures and Changes in Fund Balance which are applicable only to the Statement of Activities' presentation.

General Fund Budgetary Highlights

Over the course of the fiscal year, the original budget and two budget amendments were approved at the Council meetings in September 2015, July 2016, and in September 2016. The amendments effectively approve any expenditure that had already been incurred that exceeded its original budgeted amount.

Economic Factors and Next Year's Budget

The Council's grants and contracts are contingent upon its renewal and its ability to obtain new grants and, therefore, its revenues may vary from year to year. In setting its budget for fiscal year 2016, various factors, such as delivering at least the same level of expertise in fiscal year 2016 and adding new programs and grants were considered.

Requests for Information

This financial report is designed to provide a general overview of the Council's finances for all those with interest in its financial position. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, 3440 Hollywood Boulevard, Suite 140, Hollywood, Florida 33021.

**SOUTH FLORIDA REGIONAL COUNCIL
BALANCE SHEET/ STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	<u>Major Funds</u>				<u>Total Funds</u>	<u>OTTED Loan Exclusion</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
	<u>General Fund</u>	<u>Projects Fund</u>	<u>Revolving Loan Fund</u>	<u>SFPI Fund</u>				
ASSETS								
Cash and cash equivalents	\$ 137,198	\$ -	\$ -	\$ 77,035	\$ 214,233			\$ 214,233
Investments	10,450	-	-		10,450			10,450
Receivables								
Contract and grant receivables	19,578	281,845	-	-	301,423			301,423
Deposits and other assets	23,272	-			23,272			23,272
Due from other funds	358,679	-	879	4,120	363,678		(281,845)	81,833
Restricted assets:								
Cash and cash equivalents	-	-	2,570,086		2,570,086	103,246		2,466,840
Loans receivable, net	-	-	4,048,070		4,048,070	1,017,730		3,030,340
Property and equipment, net	-	-	-	-	-	-	197,553	197,553
Total Assets	<u>\$ 549,177</u>	<u>\$ 281,845</u>	<u>\$ 6,619,035</u>	<u>\$ 81,155</u>	<u>\$ 7,531,212</u>	<u>\$ 1,120,976</u>	<u>\$ (84,292)</u>	<u>\$ 6,325,944</u>
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows related to pension							\$ 435,233	\$ 435,233
LIABILITIES AND net position								
Liabilities:								
Accounts payable and other accrued expenses	\$ 103,581	\$ -	\$ 230,826	\$ 18,554	\$ 352,961	\$ 192,824		\$ 160,137
Compensated absences	49,810	-	-		49,810	-		49,810
Unearned revenue	-	-	-	61,628	61,628			61,628
Due to other funds	-	281,845	-		281,845	-	(281,845)	-
Net pension liability	-	-	-	-	-	-	1,195,292	1,195,292
Total Liabilities	<u>153,391</u>	<u>281,845</u>	<u>230,826</u>	<u>80,182</u>	<u>746,244</u>	<u>192,824</u>	<u>913,447</u>	<u>1,466,867</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows related to pension							\$ 44,409	\$ 44,409
Fund Balances:								
Restricted for revolving loan program	-	-	6,388,210	-	6,388,210	928,152	(5,460,058)	-
Unassigned	395,787	-	-	973	396,760	-	(396,760)	-
Total fund balances	<u>395,787</u>	<u>-</u>	<u>6,388,210</u>	<u>973</u>	<u>6,784,970</u>	<u>928,152</u>	<u>(5,856,818)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 549,178</u>	<u>\$ 281,845</u>	<u>\$ 6,619,036</u>	<u>\$ 81,155</u>	<u>\$ 7,531,212</u>	<u>\$ 1,120,976</u>		
Net position:								
Net investment in capital assets							197,553	197,553
Restricted for loan program excluding OTTED Loan Fund							5,460,058	5,460,058
Unrestricted							(407,709)	(407,709)
Total Net Position							<u>\$ 5,249,902</u>	<u>\$ 5,249,902</u>

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

SOUTH FLORIDA REGIONAL COUNCIL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/ STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Major Funds				Total Funds	Adjustments	Statement Activities
	General Fund	Planning Projects Fund	Revolving Loan Fund	SFPI Fund			
REVENUES							
Membership assessments	\$ 801,812	\$ -	\$ -	\$ -	\$ 801,812	\$ -	\$ 801,812
Federal, state and local grants	-	1,219,454	-	13,300	1,232,754	-	1,232,754
D.R.I. fees	-	196,416	-	-	196,416	-	196,416
Interest	1,425	-	232,482	-	233,907	-	233,907
Other Income	34,110	5,000	106,096	-	145,206	-	145,206
Total Revenues	<u>837,347</u>	<u>1,420,870</u>	<u>338,578</u>	<u>13,300</u>	<u>2,610,095</u>	<u>-</u>	<u>2,610,095</u>
EXPENDITURES							
Current:							
Comprehensive planning:							
Personnel services	28,742	919,722	201,955	-	1,150,419	67,123	1,217,542
Operating expenses	16,871	638,022	115,876	14,540	785,309	-	785,309
Outside consultant expense	-	411,347	25,858	-	437,205	-	437,205
Bad debt expense	-	-	(298,057)	-	(298,057)	-	(298,057)
Depreciation and amortization	-	-	-	-	-	5,000	5,000
Total Expenditures	<u>45,613</u>	<u>1,969,091</u>	<u>45,632</u>	<u>14,540</u>	<u>2,074,876</u>	<u>72,123</u>	<u>2,146,999</u>
Excess (deficiency) of revenues over expenditures	791,734	(548,221)	292,946	(1,240)	535,219	(72,123)	463,096
Other financing sources (uses):							
Operating Transfers in	-	709,191	343,476	-	1,052,667	-	1,052,667
Operating Transfers (out)	(581,827)	(160,970)	(309,870)	-	(1,052,667)	-	(1,052,667)
Total other financing sources (uses)	<u>(581,827)</u>	<u>548,221</u>	<u>33,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses/change in net position	209,907	-	326,552	(1,240)	535,219	(72,123)	463,096
Fund balance/net position at beginning of year	185,880	-	6,061,658	2,213	6,249,752	(534,793)	5,714,959
Fund balance/net position at end of year	<u>\$ 395,787</u>	<u>\$ -</u>	<u>\$ 6,388,210</u>	<u>\$ 973</u>	<u>\$ 6,784,970</u>	<u>\$ (606,916)</u>	<u>\$ 6,178,054</u>
Less: OTTED Loan Fund balance restricted							928,152
Net position at end of year excluding OTTED Loan Fund							<u>\$ 5,249,902</u>

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

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 1 - Nature of Operations

Reporting entity

South Florida Regional Council (the “Council”) is a regional governmental planning and coordinating agency formed in September 1969, in accordance with Chapter 186 of the Florida Statutes to provide policy analysis and comprehensive planning services in such areas as housing, emergency management, economic development, water management, transportation and other matters having direct regional impact. The membership of the Council presently consists of Broward, Miami-Dade and Monroe counties.

The Council maintains separate management control and accountability. The governing board of the Council is composed of elected officials from the member counties, elected officials from city governments in the geographic area covered by the Council, and gubernatorial appointees from the geographic area covered by the Council.

The financial reporting entity for which the accompanying financial statements are prepared includes the Council (primary government) and its component unit, which is an entity for which the Council is financially accountable. The Council is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s body and either is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens, on the Council. The Council may also be financially accountable for organizations that are fiscally dependent on it.

Component Unit

The Southeast Florida Regional Prosperity Institute, Inc. (“SFRPI”) was formed as a nonprofit Section 501(c)(3) corporation. SFRPI is dedicated to providing educational and implementation opportunities to the economic development field and stakeholder groups concerning access to capital, environmental justice, conflict resolution, visioning as well as community development and redevelopment practices affecting land use, transportation, emergency management, safe and sanitary housing, health and the built environment, and natural resource protection and management.

SFRPI is a component unit of the Council since SFRPI’s Board of Directors consists of the current members of the Council, thereby providing Council to impose its will upon SFRPI. It qualifies as a blended component unit; therefore, data from SFRPI is combined with data of the Council. SFRPI does not issue stand-alone audited financial statements.

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 2 - Summary of Significant Accounting Policies

Government-wide and fund financial statements

These financial statements have been prepared in conformity with reporting guidelines established by GASB and in conformity with accounting principles generally accepted in the United States of America. As a result of adopting GASB Statement No. 34 and GASB 63, the following types of financial statements are reported by the Council:

Government-wide Statements – The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position (statement of activities)) report information on all the activities of the Council. Governments typically report activities as either governmental activities, which normally are supported by taxes and intergovernmental revenues, or business-type activities, which rely to a significant extent on fees and charges for support. The Council reports only governmental activities as it has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Since the Council's primary function (mission) is policy analysis and comprehensive planning, all revenues and expenses are for this purpose and the accompanying financial statements do not segregate beyond this function.

The Council has only governmental activities and one function. As such, the government-wide financial statements are presented together with the governmental fund financial statements, with an adjustment column presented to reconcile the two sets of statements.

Fund Financial Statements – Separate financial statements are provided for the Council's Governmental Funds, as described below:

Governmental Fund Type – used to account for all operations of the Council. The measurement focus of this fund type is based upon determination of changes in financial position or the financial flow measurement focus, rather than upon net income determination. Only current assets and current liabilities are generally included on its balance sheet. The operating statement presents sources (revenues and other financial sources) and uses (expenditures and other financial uses) of available spendable resources during the period. The following comprise the Council's major governmental funds:

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 2 - Summary of Significant Accounting Policies (cont'd)

Government-wide and fund financial statements (cont'd)

- a) **General Fund** – used to account for all financial resources except those required to be accounted for in another fund.
- b) **Planning Projects Fund** – used to account for resources derived from specific sources, which are usually required by law or regulation to be accounted for in separate funds.
- c) **The Revolving Loan Fund** – used to account for resources derived from the various Revolving Loan portfolios (“RLF”) are included in this fund type. The RLF fund is used to account for revolving loan funds from the Department of Commerce through the Economic Development Administration (“EDA”) and the Environmental Protection Agency (“EPA”). The EDA RLF is used to provide loans to small and medium size businesses located within Miami-Dade, Broward and Monroe Counties that have evidence demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed. The EPA RLF is used to fund loans on qualified, suitable market-ready Brownfield sites to appropriate developers and buyers (for-profit and non-profit developers or local governments). The loan fund will assist in the remediation activities required for site cleanup that will allow redevelopment projects to go forward. The primary target areas for loans are the eastern portion of Miami-Dade, Broward and the Palm Beach Counties.
- d) **SFRPI Fund** – used to account for the financial activity of Southeast Florida Regional Prosperity Institute, Inc. (“SFRPI”), a component unit of the Council. SFRPI is a not-for-profit corporation created by the Council. SFRPI provides educational and implementation opportunities to the economic development field and stakeholder groups concerning access to capital, environmental justice, conflict resolution, visioning as well as community development and redevelopment practices affecting land use, transportation, emergency management, safe and sanitary housing, health and the built environment, and natural resource protection and management.

Measurement focus, basis of accounting and financial statement presentation

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 2 - Summary of Significant Accounting Policies (cont'd)

Governmental Fund Financial Statements – The Council uses the accrual basis of accounting under which revenues and expenses of the Council are recorded in the accounting period in which they are earned or incurred.

Expenditures are recorded when obligations are incurred, except for expenditures related to claims and judgments, which are recorded only when payment is due.

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Intergovernmental and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GASB Statement No. 54 establishes 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 government funds. Currently, the Council utilizes three of the four designations for fund balance under this statement: net investment in capital assets, restricted, and unassigned. These designations are defined as follows:

Net investment in capital assets fund balance category includes the purchase cost net of accumulated depreciation and or amortization of capital assets or leasehold improvements.

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external source providers, or through enabling legislation. The project planning funds and revolving loan funds are considered restricted as defined by the statement.

Unassigned fund balance is classification for the government's general fund and includes all spendable amounts not contained in the other classifications. For fiscal year ended September 30, 2016, the unassigned fund balance in the Council's general fund will be used for the day to day operations of the Council.

Cost allocation

Expenses incurred in relation to specific grants or contracts are charged directly to grants or contracts. All other expenses are allocated to active grants or contracts based on direct salary, allocated leave salary, plus allocated fringe benefits. This policy is consistent with

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 2 - Summary of Significant Accounting Policies (cont'd)

the principles of Office of Management and Budget (“OMB”) Circular A-87 and Circular A-122.

Budget policy

Prior to October 1 of each year, the budget is legally adopted by the Council’s Board. The budget is prepared based on the accrual basis of accounting which is the same basis of accounting used to reflect actual revenues and expenditures recognized in accordance with accounting principles generally accepted in the United States of America. The Council does not adopt individual budgets for each fund type. All budget amounts presented in the Combined Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual have been adjusted for budget revisions approved by the Council’s Board as of September 2016.

Risk management

It is the policy of the Council to purchase insurance for the risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council obtained workers’ compensation, property, general liability and automobile insurance coverage through the Florida Municipal Insurance Trust Fund of the Florida League of Cities, Inc. The Council obtained, from third party insurers, employee group life and disability insurance.

Encumbrances

The Council does not utilize encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 2 - Summary of Significant Accounting Policies (cont'd)

Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts and highly liquid investments (including restricted assets) with maturity of three months or less when purchased.

Investments

Investments are stated at fair value.

Contract and grant receivables

Contract and grant receivables are stated at gross value. In management's opinion, all receivables are collectible as of year-end.

Loans receivable/allowance for loan losses

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. The allowance for loan losses is established through a provision for loan losses charged as an expense.

Restricted assets

The use of certain assets is restricted to finance business development activities with local economic development strategies and for revolving loan fund activities. Assets so designated are identified as restricted assets on the balance sheet.

Capital assets

Capital assets, which include office furniture and equipment and leasehold improvements, are recorded as capital outlay expenditures in the General Fund at the time goods are received and a liability is incurred. These assets are then capitalized at cost in the statement of net position. Fixed assets are depreciated using the straight-line method over two to ten years for furniture and equipment, and the remaining lease period for leasehold improvements. The depreciation expense is recorded in the statement of activities.

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 2 - Summary of Significant Accounting Policies (cont'd)

Compensated absences

The Council's policy is to permit regular employees to accumulate earned and unused vacation pay benefits up to 160 hours of vacation time. The liability for accumulated vacation hours is reflected in the statement of net position.

Due to and from other funds

Interfund receivables and payables arise from Interfund transactions and are recorded by funds affected in the period in which transactions are executed.

Unearned revenues

Unearned revenues are payments received from grantor agencies before the related costs are incurred.

Pensions

In the governmental activities, Statement of Net Position, pension liabilities are recognized for the Authority's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (Pension Plan) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan, and additions to and deductions from the Pension Plan's and the HIS's fiduciary net position, have been determined on the same basis as they are reported by the Pension Plan and HIS plans. Changes in the net pension liability during the period are recorded as pension expense, deferred outflows of resources, or deferred inflows of resources depending on the nature of the change. Those changes in the net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources that arise from changes in actuarial assumptions or other inputs, changes in the proportionate share of the net pension liability, and differences between expected or actual experience, are amortized over the average expected remaining service lives of all employees that are provided with pensions through the pension plans, and recorded as a component of pension expense beginning with the period in which they arose. Differences between projected and actual investment earnings are reported as deferred outflows of resources or deferred inflows of resources, and are amortized as a component of pension expense using a systematic and rational method over a five-year period.

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 2 - Summary of Significant Accounting Policies (cont'd)

Income taxes

The Council is exempt from federal and state income taxes; accordingly, no provision for income taxes is included in the financial statements.

Note 3 – Implementation of Governmental Accounting Standards Board Statements

The Council adopted the following GASB Statements during the fiscal year ended September 30, 2015.

GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68"

Statement No. 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of this Statement. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 3 – Implementation of Governmental Accounting Standards Board Statements (cont'd)

The adoption of Statement No. 68 and Statement No. 71 had no impact on the Council's governmental fund financial statements, which continue to report expenditures in the amount of the actuarially determined contributions, as required by State law. However, the adoption of these Statements resulted in the restatement of the October 1, 2014 net position.

Change in Accounting Principle

The implementation of Statement No. 68 and Statement No. 71 resulted in the restatement of the October 1, 2014 beginning net position as follows:

Net position, October 1, 2014, as previously reported	\$ 7,834,996
Restatement	<u>(720,240)</u>
Net position, October 1, 2014, as restated	\$ 7,114,756

Note 4 - Cash and Investments

At September 30, 2016, the Council's cash and investments consisted of the following:

Cash and cash equivalents – Unrestricted	
Demand deposits and petty cash	\$ 137,198
Pooled investment fund – Florida State Board of Administration	10,450
Small Business Emergency Bridge Loan Fund	103,246
EPA Brownfield Revolving Loan Fund	874,853
EDA Consolidated Loan Fund	1,591,988
Total restricted cash and cash equivalents	\$ 2,717,735

The carrying value of the above cash and investments equals fair value.

Deposits

The Council's deposits are held in financial institutions with Federal depository insurance that are approved by the State Treasurer to hold public funds.

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 3 – Implementation of Governmental Accounting Standards Board Statements (cont'd)

Investments

The Council does not have an investment policy with specific provisions to limit exposure to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Excess funds are invested with the Local Government Surplus Funds Investment Pool Trust Fund (“Florida Prime”), which is administered by the Florida State Board of Administration (SBA) and governed by Chapters 215 and 218 of the Florida Statutes, and Chapter 19-7 of the Florida Administrative Code (collectively, “applicable Florida Law”).

At September 30, 2016, South Florida Regional Council had a balance of \$10,450 invested in the State Board of Administration's Florida Prime Fund.

Note 4 - Cash and Investments (cont'd)

The Office of the Auditor General performs an operational audit of the activities and investments of the SBA. Investments in the pooled fund are held in the name of the SBA and are not registered with the Securities and Exchange Commission.

Florida PRIME is not a registrant with the Securities and Exchange Commission (SEC); however, SBA has adopted operating procedures consistent with those required of an SEC Rule 2a-7-like fund. A 2a-7-like external investment pool is one that is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with SEC Rule 2a-7, which governs the operation of SEC regulated money market funds.

Restricted cash

The EDA Consolidated Loan and EPA Brownfield Loan restricted cash represents funds available to be loaned to finance business development activities consistent with local economic development strategies. Small Business Emergency Bridge Loan restricted cash represents funds withheld for the State, to be refunded at program completion, and limited administrative costs for the Council’s facilitation of this program.

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 5 - Loans Receivable/Allowance for Loan Losses

In August 2000, the U.S. Department of Commerce, through the EDA, transferred the administration of Special Economic Development and Assistance Programs, Long-term Economic Deterioration (RLF I) to the Council from a local nonprofit organization. The outstanding balance of loans receivable and funds available to the program was \$2,745,569 and \$1,723,623, respectively, were likewise transferred to the Council.

On February 23, 2004, the U.S. Department of Commerce, through the EDA, signed an Offer to Amend Grant Agreement to transfer the administration of Special EDA Assistance Program Long-term Economic Deterioration (RLF II) and (RLF Rescue) to the Council from a nonprofit corporation. The outstanding balance of loans receivable and funds available to the program were \$1,571,858 and \$2,001,905, respectively, were transferred to the Council on May 1, 2004.

In October 2008, the U.S. Department of Commerce, through the EDA, transferred the administration of Special Economic Development and Assistance Programs, Long-term Economic Deterioration (RLF III) to the Council from the City of Homestead. The outstanding balance of loans receivable and funds available to the program was \$179,523 and \$877,359, respectively, and were likewise transferred to the Council.

On September 22, 2010, an offer to consolidate the existing RLF awards was reached between the Council and the U.S. Department of Commerce, Economic Development Administration (EDA). The Consolidated financial award restated was \$10,997,147 in federal award, \$1,290,088 contributed by the original recipients for an estimated total of \$12,287,235. In October 2010, the Council consolidated RLF I, RLF II, RLF III and RLF Rescue into one fund (RLF Consolidated).

As of September 30, 2016, EDA RLF Consolidated fund had an outstanding loan balance principal of \$ 3,039,651 net of allowance for doubtful accounts. The administrative costs (excluding bad debt expense) related to the management of RLF Consolidated loan program was \$190,050 for the year ended September 30, 2016.

As of September 30, 2016, \$1,207,826 was setup as an allowance for loan losses . It is Council staff's plan to restructure these loans in hope to get them paid in full.

On November 8, 2005, the Council entered into an agreement with the State of Florida Office of Tourism, Trade and Economic Development to administer a loan program for small businesses affected by Hurricane Wilma. Eleven Million (\$11,000,000) dollars were released to the Council for small business loans not to exceed twenty-five thousand (\$25,000) per business.

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 5 - Loans Receivable/Allowance for Loan Losses

The funds were allocated as follows: five million dollars (\$5,000,000) for Broward, five million dollars (\$5,000,000) for Dade County and one million dollars (\$1,000,000) for Monroe. Eight million, four hundred seventy-two thousand, two hundred and four dollars (\$8,472,204) were disbursed to small businesses affected by hurricane Wilma from the three counties and the unused portion of the funds went back to the State including interest earned less administrative cost. As of September 30, 2016, the receivable balances were as follows: Broward County Businesses \$ 528,867 Miami-Dade County Businesses \$428,362 and Monroe County Businesses \$60,500. As of September 30, 2016, all the receivable balances are in default, final judgments have been filed against all these obligors. The Council is in the process of transferring these loans/judgments to the State of Florida for final disposition and closure. Therefore, the Council excluded the entire fund balance of \$ 928,152 from the statement of net position as of September 30, 2016.

Note 6 - Capital Assets

The following is the summary of changes in capital assets for the year ended September 30, 2016:

Description	Balance October 1, 2015	Additions	Retirement	Balance September 30, 2016
Office furniture and equipment	\$ 261,147	\$ -	\$ -	\$ 261,147
Leasehold improvements	<u>80,842</u>	<u>-</u>	<u>-</u>	<u>80,842</u>
Sub-total	341,989	-	-	341,989
Less accumulated depreciation and amortization	<u>(139,436)</u>	<u>(5,000)</u>	<u>-</u>	<u>(144,436)</u>
Net	<u>\$ 202,553</u>	<u>\$ (5,000)</u>	<u>\$ -</u>	<u>\$ 197,553</u>

Depreciation expense was \$5,000 in fiscal year ended September 30, 2016.

Note 7 - Interfund

Interfund transfers made during fiscal year 2016 are as follows:

Transfers Out	Transfers In		
	Planning Projects Fund	RLF Fund	Total
General fund	<u>\$ 548,221</u>	<u>\$ 33,606</u>	<u>\$ 581,827</u>
Total transfers out	<u>\$ 548,221</u>	<u>\$ 33,606</u>	<u>\$ 581,827</u>

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 8 - Employee Benefit Plans

All of the Council's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the Pension Plan, which is administered by the State Board of Administration (SBA). Generally, 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 Legislature establishes and may amend the contribution requirements and benefit terms of all FRS plans.

The plan administrator for FRS prepares and publishes its own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of this report can be obtained from the Department of Management Services, Division of Retirement, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, Florida 32315-9000; or at the Division's website (www.frs.myflorida.com).

Pension Plan

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

The general classes of membership for the Council are as follows:

Regular Class - Members of the FRS who do not qualify for membership in the other classes.

Senior Management Service Class (SMSC) - Members in senior management level positions

Employees enrolled in the Pension Plan prior to July 1, 2011, vest after six years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after eight years of creditable service. Regular Class and SMSC members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. Members in these classes initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 8 - Employee Benefit Plans (cont'd)

Pension Plan (cont'd)

service. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5.0% benefit reduction for each year prior to the normal retirement age.

DROP is available under the Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July, and earn monthly interest equivalent to an annual rate of 1.30%. DROP participants with an effective DROP commencement date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50%.

Benefits Provided - Benefits under the Pension Plan are computed based on 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. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned.

<u>Class, Initial Enrollment, and Retirement Age/Years of Services</u>	<u>% Value (Per Year of Service)</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years if service	1.63%
Retirement at age 64 or with 32 years if service	1.65%
Retirement at age 65 or with 33 or more years if service	1.68%
Regular Class members initially enrolled after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years if service	1.63%
Retirement at age 67 or with 35 years if service	1.65%
Retirement at age 68 or with 36 or more years if service	1.68%
Senior Management Service Class	2.00%

The benefits received by retirees and beneficiaries are increased by a cost-of-living adjustment (COLA) each July. If the member was initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before that time, the annual COLA

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 8 - Employee Benefit Plans (cont'd)

Pension Plan (cont'd)

is 3.0% per year. If the member was initially enrolled on or after July 1, 2011, there is an individually calculated COLA. The annual COLA is a proportion of 3.0% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3.0%. Pension Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

Contributions - Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member contributions, governmental employers are required to make contributions to the Pension Plan based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1, of each year.

The employer contribution rates by job class for the periods from October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively, were as follows: Regular – 5.56% and 5.80%, Senior Management Service – 19.73% and 20.05% and DROP participants 11.22% and 11.33%. These employer contribution rates do not include the HIS Plan contribution rates of 1.66% and 1.66%, or the administrative cost assessment of .04% and .06%.

For the fiscal year ending September 30, 2016, pension contributions, including employee contributions of \$18,455, to the Pension Plan for the Council totaled \$87,960, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016, the Council reported a liability of \$1,195,292 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Council's proportionate share of the net pension liability was based on the Council's 2015-2016 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members. At June 30, 2016, the Council's proportionate share was .003203% which was a increase of 0.00005% from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Council recognized Pension Plan expense of \$67,123. In addition, the Council reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources:

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 8 - Employee Benefit Plans (cont'd)

Pension Plan (cont'd)

Description

Contributions Subsequent to Measurement Date	\$	20,755	\$	-
Assumptions		48,930		-
Assumptions (reverse prior year)		(27,023)		-
Change in Proportion		48,695		(11,716)
Change in Proportion (reverse prior year)		(55,549)		14,441
Contributions Subsequent to Prior Measurement Date		(20,485)		(7,530)
Experience		61,927		9,656
Experience (reverse prior year)		(42,982)		-
Investments		209,063		240,623
Investments (reverse prior year)		(143,405)		-
Total		\$	\$	245,473

The deferred outflows of resources related to the Pension Plan for the Council resulting from contributions to the Pension Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal year ending September 30th,	
2017	43,030
2018	43,030
2019	124,536
2020	85,231
2021	12,536
Thereafter	4,026
Total	\$ 312,390

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.60%
Salary increases	3.25% average, including inflation
Investment of return	7.60%

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 8 - Employee Benefit Plans (cont'd)

Pension Plan (cont'd)

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013. Assumption changes adopted by the FRS Assumptions Conference were incorporated into July 1, 2015 Valuation.

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

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash		3.00%	3.00%	1.70%
Fixed Income	18%	4.70%	4.60%	4.60%
Global Equity	53%	8.10%	6.80%	17.20%
Real Estate	10%	6.40%	5.80%	12.00%
Private Equity	6%	11.50%	7.80%	30.00%
Strategic Investment	12%	6.10%	5.60%	11.10%
Assumed Inflation	-	Mean	2.60%	1.90%

*As outlined in the Pension Plan's investment policy.

Discount Rate - The discount rate used to measure the total pension liability was 7.60%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**Note 8 - Employee Benefit Plans (cont'd)
Pension Plan (cont'd)**

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

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Council's proportionate share of the net pension Liability	1,489,043	808,793	242,575

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

Payables to the Pension Plan - At September 30, 2016, the Council reported payables in the amount of \$2,327 outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2016.

HIS Plan

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

Benefits Provided - For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS Plan payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS Plan payment of \$30 and a maximum HIS Plan payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2016, the HIS Plan contribution rate for the period October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016 was 1.66% and 1.66%,

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 8 - Employee Benefit Plans (cont'd)

Pension Plan (cont'd)

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

For the fiscal year ending September 30, 2016, contributions to the HIS Plan for the Council totaled \$14,061.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016, the Council reported a liability of \$337,576 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Council's proportionate share of the net pension liability was based on the Council's 2015-2016 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members. At June 30, 2016, the Council's proportionate share was 0.003310% which was a decrease of 0.00083% from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the Council recognized HIS Plan expense of \$9,424. In addition, the Council reported deferred outflows of resources and deferred in flows of resources related to the HIS Plan from the following sources:

Description

Contributions Subsequent to Measurement Date	\$	4,193	\$	-
Assumptions		60,652		-
Assumptions (reverse prior year)		(26,558)		-
Change in Proportion		5,912	(24,282.00)	
Change in Proportion (reverse prior year)		(6,451)	30,062.96	
Contributions Subsequent to Prior Measurement Date		(4,604)	(880.30)	
Experience		-	-	
Experience (reverse prior year)		-	-	
Investments		195	-	
Investments (reverse prior year)		(183)	-	
Total	\$	33,156	\$	4,901

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 8 - Employee Benefit Plans (cont'd)

HIS Plan (cont'd)

The deferred outflows of resources related to the HIS Plan, totaling \$4,604 for the Council, resulting from contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal year ending September 30th,	
2017	10,738
2018	10,738
2019	10,701
2020	10,683
2021	9,242
Thereafter	<u>7,865</u>
Total	<u><u>\$ 59,967</u></u>

Actuarial Assumptions – Actuarial valuations for the HIS Plans are concluded biennially. The July 1, 2015 HIS Plan valuation is the most recent actuarial valuation and was used to develop the liabilities for June 30, 2016. Liabilities originally calculated as the actuarial valuation date have been recalculated as of June 30, 2016, using standard actuarial roll-forward technique. The total pension liability as of June 30, 2016, was determined using the following actuarial assumptions:

Inflation	2.60%
Salary increases	3.25% average, including inflation
Investment rate of return	3.80% net pension plan investment expense, including inflation

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

The actuarial assumptions that determined the total pension liability as of June 30, 2016, were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2016 was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS Plan benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 8 - Employee Benefit Plans (cont'd)

HIS Plan (cont'd)

selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2015 valuation was updated from 4.29% to 3.80%, reflecting the changed in the Bond Buyer General Obligation 20-Bond Municipal Index as of June 30, 2016.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Council's proportionate share of the net pension liability calculated as of September 30, 2016, using the discount rate of 3.80%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 2.80% or one percentage point higher 4.80% than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Council's proportionate share of the net pension Liability	1.85%	2.85%	3.85%
	443,402	386,499	339,273

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

Payables to the Pension Plan - At September 30, 2016, the Council reported payables in the amount of \$379 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2016.

Investment Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the defined benefit pension plan. Council employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 8 - Employee Benefit Plans (cont'd)

Investment Plan (cont'd)

performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class, as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance.

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

Note 9 - Long-Term Liabilities

A summary of changes in long-term liabilities for the fiscal year ended September 30, 2016, are as follows:

	09/30/2015	Increase	Decrease	09/30/2016
Compensated absences	57,810		8,000	49,810
Net pension liability	407,138	401,655		808,793
Net HIS liability	337,576	48,923		386,499
Total	802,524	450,578	8,000	1,245,102

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 10 - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

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

Net change in fund balances – total governmental funds	\$ 535,219
--	------------

Governmental funds report capital outlays as expenditures. The Council did not have any capital outlay expenditures during fiscal year 2016. In the statement of activities, the cost of capital assets purchased are allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense for the fiscal year ended September 30, 2016 was:	(5,000)
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Some expenses reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds:

Net pension obligations	(67,123)
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Changes in net position of governmental activities	\$ (463,096)
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Note 11 - Commitments

The Council conducts its operations from leased office space. During fiscal 2015 the Council renegotiated the terms of the existing lease and has agreed to a three year lease extension until February 28, 2018. The amended lease reduces the total leased space and reduces the total annual lease commitment for the Council. Total rental expense for the year ended September 30, 2016 was \$187,890. Future annual rental payments, including approximate common area maintenance cost and real estate taxes required under the amended lease and the extension period are included as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2017	193,579
2018	82,372
Total	\$ 275,951

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 12 - Contingencies

The Council participates in a number of Federal programs and State projects. These programs and projects are subject to financial and compliance audits by the grantors or their respective representatives. The possible disallowance of any item charged to the program or project or request for the return of any unexpended funds cannot be determined at this time. No provision for any liability that may result has been made in the financial statements.

Note 13 - Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. Subsequent events should be disclosed in the financial statements if exclusion of such disclosure would cause the financial statements to be misleading. Management has evaluated subsequent events through June 30, 2016, the date the financial statements were available to be issued, and does not believe that there are any such events or transactions that require disclosure.

Note 14 - Southeast Florida Regional Prosperity Institute, Inc (“SFRPI”)

As described in Note 1, the Southeast Florida Regional Prosperity Institute, Inc (“SFRPI”) is a component unit of the Council. Summary financial data for the Institute is as follows:

	<u>2016</u>
Assets:	
Cash	\$ 77,035
Accounts Receivable	<u>4,120</u>
Total Assets	<u>\$ 81,155</u>
Liabilities:	
Accounts Payable	16,554
Unearned Revenue	<u>61,628</u>
Total Liabilities	78,182
Net Position:	
Unrestricted	<u>2,973</u>
Total Liabilities and Net Assets	<u>\$ 81,155</u>

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

Note 14 - Southeast Florida Regional Prosperity Institute, Inc ("SFRPI")
(cont'd)

Total Revenue	13,300
Total Expenses	<u>12,540</u>
Excess Revenue vs Expenses	760
Net position at beginning of year	<u>2213</u>
Net position at end of year	<u><u>2973</u></u>

SOUTH FLORIDA REGIONAL COUNCIL
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

**SOUTH FLORIDA REGIONAL COUNCIL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance to Final Budget Favorable (Unfavorable)
REVENUES				
Total Revenues	\$ 804,812	\$ 804,812	837,347	32,535
EXPENDITURES				
Total Expenditures	804,812	785,491	45,613	739,878
Excess (deficiency) of revenues over expendi	-	19,321	791,734	772,413
Other financing sources (uses)				
Operating Transfers in	-	-	-	-
Operating Transfers (out)	-	-	(581,827)	(581,827)
Total other financing sources (uses)	-	-	(581,827)	(581,827)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses/change in fund balance	-	19,321	209,907	190,586
Fund balance/net position at beginning of year	<u>185,880</u>	<u>185,880</u>	<u>185,880</u>	-
Fund balance/net position at end of year	<u>\$ 185,880</u>	<u>\$ 205,201</u>	<u>\$ 395,787</u>	<u>\$ 190,586</u>

See notes to budgetary comparison schedule.

**SOUTH FLORIDA REGIONAL COUNCIL
BUDGETARY COMPARISON SCHEDULE
PLANNING PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance to Final Budget Favorable Unfavorable
REVENUES				
Total Revenues	\$ 1,412,824	\$ 1,264,665	1,420,870	156,205
EXPENDITURES				
Total Expenditures	1,412,824	1,264,665	1,969,091	(704,426)
Excess (deficiency) of revenues over expendi	-	-	(548,221)	(548,221)
Other financing sources (uses)				
Operating Transfers in	-	-	709,191	709,191
Operating Transfers (out)	-	-	(160,970)	(160,970)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>548,221</u>	<u>548,221</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses/change in fund balance	-	-	-	-
Fund balance/net position at beginning of yea	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance/net position at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to budgetary comparison schedule.

**SOUTH FLORIDA REGIONAL COUNCIL
BUDGETARY COMPARISON SCHEDULE
REVOLVING LOAN FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget Favorable Unfavorable</u>
REVENUES				
Total Revenues	\$ 314,000	\$ 263,000	338,578	75,578
EXPENDITURES				
Total Expenditures	314,000	263,000	45,632	217,368
Excess (deficiency) of revenues over expendi	-	-	292,946	292,946
Other financing sources (uses)				
Operating Transfers in	-	-	343,476	343,476
Operating Transfers (out)	-	-	(309,870)	(309,870)
Total other financing sources (uses)	-	-	33,606	33,606
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses/change in fund balance	-	-	326,552	326,552
Fund balance/net position at beginning of year	<u>6,061,658</u>	<u>6,061,658</u>	<u>6,061,658</u>	-
Fund balance/net position at end of year	<u>\$ 6,061,658</u>	<u>\$ 6,061,658</u>	<u>\$ 6,388,210</u>	<u>\$ 326,552</u>

See notes to budgetary comparison schedule.

**SOUTH FLORIDA REGIONAL COUNCIL
BUDGETARY COMPARISON SCHEDULE
SFRPI FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance to Final Budget Favorable (Unfavorable)
REVENUES				
Total Revenues	\$ 100,000	\$ 100,000	13,300	(86,700)
EXPENDITURES				
Total Expenditures	100,000	100,000	14,540	85,460
Excess (deficiency) of revenues over expendi	-	-	(1,240)	(1,240)
Other financing sources (uses)				
Operating Transfers in	-	-	-	-
Operating Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses/change in fund balance	-	-	(1,240)	(1,240)
Fund balance/net position at beginning of year	<u>2,213</u>	<u>2,213</u>	<u>2,213</u>	<u>-</u>
Fund balance/net position at end of year	<u>\$ 2,213</u>	<u>\$ 2,213</u>	<u>\$ 973</u>	<u>\$ (1,240)</u>

See notes to budgetary comparison schedule.

SOUTH FLORIDA REGIONAL COUNCIL
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 78,113	\$ 76,851	\$ 80,490	PRIOR INFORMATION IS NOT AVAILABLE						
Contributions in relation to the contractually required contribution	<u>(78,113)</u>	<u>(76,851)</u>	<u>(80,490)</u>							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Council's covered-employee payroll	\$ 999,016	\$ 1,038,770	\$ 953,049							
Contributions as a percentage of covered-employee payroll	7.82%	7.40%	8.45%							

* The amounts presented for each fiscal year were determined as of September 30th.

**SOUTH FLORIDA REGIONAL COUNCIL
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Council's proportion of the net pension liability	0.003203%	0.003152%	0.003262%	PRIOR INFORMATION IS NOT AVAILABLE						
Council's proportionate share of the net pension liability (asset)	808,793	407,138	199,039							
Council's covered-employee payroll	\$ 999,016	\$ 1,038,770	\$ 953,049							
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	80.96%	39.19%	20.88%							
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%							

* The amounts presented for each fiscal year were determined as of September 30th.

**SOUTH FLORIDA REGIONAL COUNCIL
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM HEALTH INSURANCE SUBSIDY
LAST TEN FISCAL YEARS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 16,998	\$ 12,653	\$ 12,452	PRIOR INFORMATION IS NOT AVAILABLE						
Contributions in relation to the contractually required contribution	<u>(16,998)</u>	<u>(12,653)</u>	<u>(12,452)</u>							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Council's covered-employee payroll	\$ 999,016	\$ 1,038,770	\$ 953,049							
Contributions as a percentage of covered-employee payroll	1.70%	1.22%	1.31%							

* The amounts presented for each fiscal year were determined as of September 30th.

**SOUTH FLORIDA REGIONAL COUNCIL
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM HEALTH INSURANCE SUBSIDY
LAST TEN FISCAL YEARS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Council's proportion of the net pension liability	0.003316%	0.003310%	0.038232%	PRIOR INFORMATION IS NOT AVAILABLE						
Council's proportionate share of the net pension liability (asset)	386,499	337,576	3,574,813							
Council's covered-employee payroll	\$ 999,016	\$ 1,038,770	\$ 953,049							
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.69%	32.50%	375.09%							
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%							

* The amounts presented for each fiscal year were determined as of September 30th.

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016**

Note 1- Budgetary Requirements

The South Florida Regional Council (“the Council”) prepares an annual operating budget for the general and special revenue funds which are reflected in these financial statements. The Council’s budgeting process is based on estimates of revenues and expenditures and requires that all budgets be approved by the Board of the Council (the “Board”). Subsequent amendments to the budget, if any, are approved by the Board.

Budgets are prepared on the same basis of accounting as required for Governmental Fund Types. Any remaining fund balances remain with the Council at the end of the year.

For the year ended September 30, 2016 the Council’s General Fund revenues were \$837,347 or \$32,535 better than budget. The Project Planning fund revenues were \$1,420,870 or \$156,205 ahead of budget. Total Expenditures were \$1,969,091 or \$(704,426) more than budget due to local match and timing for reimbursements.

Note 2 – Pension Information

The discount rate used to measure the pension liability of the HIS plan at June 30, 2016 was decreased from 3.80% to 2.85%, reflecting the change in the Bond Buyer General Obligation 20-Bond Municipal Bond Index as of June 30, 2016.

SOUTH FLORIDA REGIONAL COUNCIL

COMPLIANCE SECTION

SEPTEMBER 30, 2016

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 Council Members of the
South Florida Regional Planning Council

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, and each major fund of the South Florida Regional Planning Council (the "Council"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated June 30, 2017.

Internal Control over Financial Reporting

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

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

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

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.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above a light blue rectangular stamp.

Hollywood, Florida
June 30, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Council Members of the
South Florida Regional Council

Report on Compliance for Each Major Federal Program

We have audited the South Florida Regional Council's (the "Council") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended September 30, 2016. The Council'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Council'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 the Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Council, 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, 2016.

Report on Internal Control over Compliance

Management of the Council 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 the Council'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 the Uniform Guidance, 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 the Council'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 consider 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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." is written over a light blue rectangular background.

Hollywood, Florida
June 30, 2017

**SOUTH FLORIDA REGIONAL COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness? Yes None Reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number(s) Name of Federal Program

11.307	U.S. Department of Commerce - Economic Adjustment Assistance
97.067	Homeland Security Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

Yes No

**SOUTH FLORIDA REGIONAL COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section II – Financial Statement Current Year Findings and Questioned Costs

There were no findings and questioned costs noted during the current year.

Section III – Financial Statement Prior Year Findings and Questioned Costs

There were no findings and questions costs noted during the prior year.

Secion IV – Federal Award Current Year Findings and Questioned Costs

There were no findings and questioned costs noted during the current year.

Section V – Federal Award Prior Year Findings and Questioned Costs

There were no findings and questioned costs noted during the prior year.

**SOUTH FLORIDA REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FEDERAL AWARDS	CFDA#	Contract #	Expenditures	Loans Receivable	Cash & Investments	(1) Loans Written Off	Total Expenditures	(2) Federal Share
<u>US Dept. of Commerce - Economic Development Administration</u>								
Economic Adjustment Assistance "EDA CONSOLIDATED"	11.307	04-89-03952	\$265,050	\$4,222,854	\$1,591,988	\$0	\$6,079,892	\$5,441,503 89.50%
<u>US Dept. of Commerce - Economic Development Administration</u>								
Economic Development_Support for Planning Organizations	11.302	04-8-307026	130,219				130,219	63,000
<u>US Dept. of Commerce - National Oceanic & Atmospheric Administration</u>								
Passed through Florida Department of Environmental Protection								
Passed through the Florida Department of Economic Opportunity	11.419	CO905	110,008				110,008	59,245
<u>US Department of Energy</u>								
Conservation Research and Development	81.086							
Passed through Leonardo Technologies, Inc								
Clean Cities Coalition Programmatic Support	N/A	S037-CCC-PPM4002	121,178				121,178	40,000
Passed University of Central Florida								
Creating an Alternative Fuel Vehicle Training Network		DE-EE0007019	30,883				30,883	
<u>U.S. Department of Homeland Security</u>								
Homeland Security Grant Program	97.067							
Passed through Miami Urban Area Security Initiative (UASI) Grant		Memorandum of Agreement	328,638					
Passed through State Homeland Security Grant Program (SHSGP)		Memorandum of Agreement	201,465					
Passed through Palm Beach County Sheriff's Office - LETPP Metadata Planner		Memorandum of Agreement	35,181				35,181	99,536
<u>US Department of Transportation</u>								
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	16-DT-T4-13-00-21-229	119,206					
Passed through the State of Florida Division of Emergency Management								
<u>Department of Health and Human Services</u>								
Partnerships to Improve Community Health	93.331	Interlocal Agreement	57,360	-	-	-	57,360	4,650
Passed through State of Florida Department of Health								
Total Federal Awards			\$1,399,188	\$4,222,854	\$1,591,988	\$0	\$6,564,721	\$5,707,935
STATE AWARDS								
Emergency Management Projects	31.067							
Hazardous Material Assistance Grant		16-CP-11-13-00-21-149	3,184					
Local Emergency Planning Committee (LEPC)		16-CP-11-13-00-21-135	49,336					
Local Emergency Planning Committee (LEPC)		17-CP-11-13-00-21-006	19,565					
Total State Awards			\$72,085	\$4,222,854	\$1,591,988	\$0	\$6,809,323	\$5,852,121

(1) Total amount of loans written off during the fiscal year ended September 30, 2016.

(2) Federal Share for the Economic Adjustment Program equals total expenditures incurred during the fiscal year multiplied by the federal share which is 89.5%.

The accompanying notes are an integral part of this schedule.

**SOUTH FLORIDA REGIONAL COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards included herein represents the Federal and State grant activity of the South Florida Regional Council (the "Council").

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The information in this schedule is presented in accordance with accounting principles generally accepted in the United States and the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Basis of Accounting

The expenditures in the accompanying Schedule of Expenditures of Federal Awards are presented using the accrual basis of accounting. The accrual basis recognizes expenses when they are incurred.

Note 3 - Loans Receivable

The Schedule of Expenditures of Federal Awards (SEFA) for EDA RLF grant (CFDA 11.307) shows as a separate line item calculated as follows:

1. Balance of RLF loans outstanding at the end of the fiscal year, *plus*
2. Cash and investment balance in the RLF at the end of the fiscal year, *plus*
3. Administrative expenses paid out of RLF income during the fiscal year; *plus*
4. The unpaid principal of all loans written off during the fiscal year; *and then multiply this sum (1+ 2 +3+4) by*
5. The Federal share of the RLF. The Federal share is defined as the Federal participation rate (or the Federal grant rate) as specified in the grant award.

Note 4 - Contingencies

Grant monies received and disbursed by the Council are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Council does not believe that such disallowances, if any, would have a material effect on the financial position of the Council. As of June 30, 2017, management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed; however, the possible disallowance by a governmental agency of any item charged to a program or project cannot be determined at this time.

Management Letter in Accordance with Rules of the Auditor General of the State of Florida

To the Council Members of the
South Florida Regional Council

Report on the Financial Statements

We have audited the financial statements of the South Florida Regional Council (the "Council") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 30, 2017.

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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; 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 30, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations in the preceding annual financial audit report. There were no such findings or recommendations.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements..

The name or official title and legal authority of the primary government and component unit are disclosed in the notes to the financial statements.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Council for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we 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 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 Council members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above a light blue horizontal line.

Hollywood, Florida
June 30, 2017

To the Council Members of the
South Florida Regional Council

We have examined the South Florida Regional Council (the "Council") compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2016. Management is responsible for the Council's compliance with those requirements. Our responsibility is to express an opinion on the Council's compliance based on our examination.

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

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



Hollywood, Florida
June 30, 2017