



# Sebastian Inlet District

## FINANCIAL STATEMENTS

Year Ended September 30, 2021



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**Sebastian Inlet District, Florida  
District Commissioners  
As of September 30, 2021**

**District Commissioners**

Jenny Lawton Seal	Chairman
Beth L. Mitchell	Vice Chairman
Chris Hendricks	Secretary/Treasurer
Michael J. Rowland	Commissioner
Lisa Frazier	Commissioner

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## **INDEPENDENT AUDITORS' REPORT**

To the District Commissioners  
Sebastian Inlet District, Florida  
Indianapolis, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of the Sebastian Inlet District, Florida, (the "District") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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.

#### ***Auditors' 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 auditors' 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 the major fund of the Sebastian Inlet District, Florida as of September 30, 2021, 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 management's discussion and analysis, the required budgetary comparison information and the pension and other postemployment benefits supplementary information on pages 7-12 and pages 44-50, respectively, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Melbourne, Florida

April 8, 2022

**Sebastian Inlet District, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2021**

Our discussion and analysis of the Sebastian Inlet District, Florida's (the "District") financial performance, provides an overview of the District's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the District's basic financial statements, which immediately follow this discussion.

**FINANCIAL HIGHLIGHTS**

The following are highlights of financial activity for the year ended September 30, 2021:

The District's total assets and deferred outflows exceeded its liabilities and deferred inflows at September 30, 2021 by \$14,580,334. Of this amount, \$13,096,895 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.

The District's total net position increased \$302,489; an increase of approximately 2% from the previous year's ending balance. The net increase can be explained primarily by the remittances received from the State of Florida and interest payments.

As of September 30, 2021, the District's governmental funds reported an ending fund balance of \$13,517,755, an increase of \$238,395 compared to the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

**A. Government-Wide Financial Statements**

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

1. The statement of net position presents information on all the District's assets, liabilities and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the District.
2. The statement of activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements can be found on pages 15 and 16 of this report.

**Sebastian Inlet District, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2021**

**B. Fund Financial Statements**

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

The District has only one fund type: governmental funds.

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

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

The District adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 17 through 20 of this report. The budget comparison can be found on pages 50 through 51.

**A. Notes to Basic Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 21 through 41 of this report.



**Sebastian Inlet District, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$14,580,334 at the close of the most recent fiscal year. The following table reflects the condensed government-wide statement of net position:

<u>Sebastian Inlet District</u>			
<u>Statement of Net Position</u>			
	<b>2021</b>		<b>2020</b>
Current and other assets	<b>\$ 13,745,081</b>	\$	13,352,710
Capital assets	<b>1,483,439</b>		1,523,829
Total assets	<b>15,228,520</b>		14,876,008
Deferred outflows	<b>138,483</b>		218,675
Other liabilities	<b>160,894</b>		73,350
Noncurrent liabilities	<b>237,673</b>		641,344
Total liabilities	<b>398,567</b>		714,694
Deferred inflows	<b>388,102</b>		102,144
Net position:			
Net investment in capital assets	<b>1,483,439</b>		1,523,298
Unrestricted	<b>13,096,895</b>		12,754,547
Total net position	<b>\$ 14,580,334</b>	\$	14,277,845

An increase of \$352,512 in total assets is attributed primarily to the increase in investments of \$1,072,984 and an increase in due from other governments of \$651,932, offset by a decrease in cash of \$1,332,806. Total liabilities decreased by \$316,127. The decrease in deferred outflows of \$80,192 and an increase in deferred inflows of \$285,958 were due to changes in assumptions and differences between projected and actual earnings on pension plan investments. Net position increased \$302,489 primarily as a result of increases in current assets.

**Governmental Activities**

Governmental activities changed the District's net position by \$302,489 and \$1,087,274 for the years ended September 30, 2021 and 2020, respectively, as reflected in the table below:

**Sebastian Inlet District, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Sebastian Inlet District Statement of Activities	
	<b>2021</b>	<b>2020</b>
Revenues		
Program revenues:		
Operating grants and contributions	\$ 820,162	\$ 567,029
General revenues:		
Property taxes	2,205,558	2,153,970
Unrestricted investment earnings	24,659	102,243
Total revenues	<b>3,050,379</b>	<b>2,823,242</b>
Expenses		
General government	620,780	747,214
Physical environment	2,127,110	988,754
Total expenses	<b>2,747,890</b>	<b>1,735,968</b>
Change in net position	<b>302,489</b>	<b>1,087,274</b>
Net position, beginning of year	14,277,845	13,190,571
Net position, ending	<b>\$ 14,580,334</b>	<b>\$ 14,277,845</b>

For fiscal year 2020-2021, the Sebastian Inlet District adjusted its millage rate to the rolled back rate of 0.0765. The increase of \$227,137 in total revenues is a result of an increase in operating grant revenue and property tax revenue.

The District is required to perform certain State-mandated projects every three-to-four years. The District estimates how much they will pay out on projects during any given fiscal year due to lengthy permitting processes. Because of this, the District typically budgets for all potential expenditures to ensure they have the funds available for related project costs throughout the year. General governmental expenses decreased by \$126,434. Physical environment expenditures increased by \$1,138,356 due to the 2020-2021 Dredge Material Management Area Excavation and Placement project.

**ANALYSIS OF THE GOVERNMENTAL FUNDS**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's net resources available for spending at the end of the fiscal year. The General Fund comprises the total governmental funds.

**Sebastian Inlet District, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2021**

**ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)**

As of the end of the most current fiscal year, the District's General Fund reported an ending fund balance of \$13,517,755, an increase of \$238,395 as compared to the total balance on October 1, 2021. The change in fund balance is a result of the fiscal year's increased program revenues and property taxes as well as a reduction in general government expenditures.

**CAPITAL ASSETS**

The District's capital assets, less accumulated depreciation and amortization, for its governmental activities as of September 30, 2021 amounts to \$1,483,439, and consists of improvements other than buildings, equipment, office furniture and intangible assets. See page 31-32 for more details.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Intergovernmental revenues from FDEP monitoring and construction agreements (22IR2) amounted to \$753,730. 2021 ad valorem tax revenue received increased compared to the previous year (\$51,588). However, the 2021 tax revenues were \$59,188 less than budgeted due to the uncollected, current year real estate and tangible property levies.

Physical environment expenditures were less than budgeted, but consistent with the level of activity under the FDEP monitoring and construction agreements and other annual obligations.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Revenues for the fiscal year 2021-2022 adopted budget for all funds of the District total \$4,220,150, and included a use of fund balance (assigned) amount of \$1,185,954 in revenue. Tax revenues for the fiscal year 2021- 2022 adopted budget for the District total \$2,331,446, a 3% increase from the prior year's budgeted tax revenues. The District Commissioners approved the millage rate for the fiscal year 2021-2022 of 0.0765 mills which is the rolled-back rate.

Expenditures for the fiscal year 2021-2022 adopted budget for all funds of the District are projected for the Commission, Finance and Administration, Government Fees, Engineering, Sand Transfer System, Maintenance of Channel, Storm Management, Monitoring, Jetty Maintenance and Repair, Legal Counsel, Channel Extension, Offshore Projects, Construction, Natural Resource Program, Professional Services, and Other Projects.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Sebastian Inlet District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Sebastian Inlet District, 114 Sixth Avenue, Indialantic, Florida 32903.

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**BASIC FINANCIAL STATEMENTS**

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**Sebastian Inlet District, Florida**  
**Statement of Net Position**

<i>September 30, 2021</i>	Primary Government
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,597,306
Investments	7,294,121
Due from other governments	833,684
Prepaid expenses	19,970
Capital assets:	
Depreciable, net of accumulated depreciation / amortization	
Improvements other than buildings	38,833
Equipment	8,088
Office furniture	3,427
Intangible assets	1,433,091
Total assets	15,228,520
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow - OPEB	822
Deferred outflow - pension	137,661
Total deferred outflows of resources	138,483
<b>LIABILITIES</b>	
Accounts payable	160,894
Noncurrent liabilities:	
Due within one year:	
Compensated absences, current portion	2,854
Due in more than one year:	
Compensated absences, less current portion	53,945
Net pension liability	178,125
Net OPEB liability	2,749
Total liabilities	398,567
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflow - pension	388,102
Total deferred inflows of resources	388,102
<b>NET POSITION</b>	
Net investment in capital assets	1,483,439
Unrestricted	13,096,895
Total net position	\$ 14,580,334

*The accompanying notes are an integral part of this financial statement.*

**Sebastian Inlet District, Florida**  
**Statement of Activities**

<i>Year ended September 30, 2021</i>						Primary Government
Functions/Programs	Expenses	Program Revenues			Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
General government	\$ 620,780	\$ -	\$ -	\$ -	\$ (620,780)	
Physical environment	2,127,110	-	820,162	-	(1,306,948)	
Total governmental activities	\$ 2,747,890	\$ -	\$ 820,162	\$ -	(1,927,728)	
General revenues						
					2,205,558	
					24,659	
					2,230,217	
					302,489	
					14,277,845	
					\$ 14,580,334	

*The accompanying notes are an integral part of this financial statement.*



**Sebastian Inlet District, Florida  
Balance Sheet – Governmental Fund**

<i>September 30, 2021</i>	General	Total Governmental Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,597,306	\$ 5,597,306
Investments	7,294,121	7,294,121
Due from other governments	833,684	833,684
Prepaid expenses	19,970	19,970
Total assets	\$ 13,745,081	\$ 13,745,081
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$ 160,894	\$ 160,894
Total liabilities	160,894	160,894
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred inflow - unavailable grant revenue	66,432	66,432
Total deferred inflows of resources	66,432	66,432
<b>Net position and other credits</b>		
Non-spendable:		
Prepays	19,970	19,970
Fund balances:		
Assigned:		
Legal counsel	343,000	343,000
Engineering	171,500	171,500
Sand transfer system	207,896	207,896
Sand trap dredging	9,508,089	9,508,089
Maintenance of channel	141,722	141,722
Construction programs	1,186,974	1,186,974
Subsequent year's budget deficit	1,185,954	1,185,954
Unassigned:	752,650	752,650
Total fund balances	13,517,755	13,517,755
Total liabilities and fund balances	\$ 13,745,081	\$ 13,745,081

*The accompanying notes are an integral part of this financial statement.*

**Sebastian Inlet District, Florida**  
**Reconciliation of the Balance Sheet – Governmental Fund**

*September 30, 2021*

<b>Total fund balance in governmental funds</b>		<b>\$ 13,517,755</b>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Governmental capital assets	\$ 2,006,274	
Less accumulated depreciation	(522,835)	1,483,439
<p>Deferred outflow of resources related to pension earnings and OPEB are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.</p>		
		138,483
<p>Unavailable grant revenue (related to reimbursement for grant funds) is recorded as a liability in the fund statements but is recorded as revenue in governmental activities</p>		
		66,432
<p>Deferred inflow of resources related to pension earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.</p>		
		(388,102)
<p>Long-term liabilities, including net OPEB liability, compensated absences and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Net pension liability	\$ (178,125)	
Compensated absences	(56,799)	
Other post-employment benefits	(2,749)	(237,673)
<b>Net position of governmental activities</b>		<b>\$ 14,580,334</b>

*The accompanying notes are an integral part of this financial statement.*

**Sebastian Inlet District, Florida**  
**Statement of Revenues, Expenditures and Changes in Fund Balance –**  
**Governmental Fund**

	General	Total Governmental Fund
<i>For the year ended September 30, 2021</i>		
<b>Revenues</b>		
Taxes:		
Brevard County	\$ 1,791,055	\$ 1,791,055
Indian River County	414,503	414,503
Intergovernmental	753,730	753,730
Interest and other	24,659	24,659
Total revenues	2,983,947	2,983,947
<b>Expenditures</b>		
Current:		
General government	656,785	656,785
Physical environment	2,088,767	2,088,767
Total expenditures	2,745,552	2,745,552
<b>Excess of revenues over expenditures</b>	238,395	238,395
<b>Fund balance, beginning of year</b>	13,279,360	13,279,360
<b>Fund balance, end of year</b>	\$ 13,517,755	\$ 13,517,755

*The accompanying notes are an integral part of this financial statement.*

**Sebastian Inlet District, Florida**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balance of the Governmental Fund to the Statement of Activities**

*For the year ended September 30, 2021*

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 238,395</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.</p>	(39,859)
<p>Some revenues not collected within 60 days after the close of the District's fiscal year end are not considered available revenue in the governmental funds. In the statement of net position on accrual basis, these revenues were previously recognized.</p>	66,432
<p>Other post-employment benefit liability is reported in the statement of activities when it is estimated to be earned. As it does not require the use of current financial resources, it is not reported as an expenditure in governmental funds until paid. This is the amount of other post-employment benefit liability reported in the statement of activities in the prior year that was paid in the current year.</p>	(1,927)
<p>Cash pension contributions reported in the funds were greater than the calculated pension expense on the statement of activities and therefore increased net position.</p>	57,915
<p>Compensated absences previously reported in the statement of activities used current financial resources and therefore, are reported as expenditures in governmental funds.</p>	(18,467)
<b>Change in net position of governmental activities</b>	<b>\$ 302,489</b>

*The accompanying notes are an integral part of this financial statement.*

## Sebastian Inlet District, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sebastian Inlet District, Florida (the “District”) is a multi-county independent special taxing district established by an act of the Florida State Legislature, Chapter 7976 (No. 194) in 1919 to construct and maintain a navigable waterway connecting the Atlantic Ocean and the Indian River. The District’s legal name as defined by the enabling legislation is Sebastian Inlet District. However, the Florida Department of Economic Opportunity has the District registered as Sebastian Inlet Tax District.

#### **Reporting Entity**

The District is a special purpose district governed by an elected, five-member governing commission (the “Commission”). The accompanying financial statements present the District’s financial position as of September 30, 2021. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the District are described below.

In evaluating the District as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The District had no business-type activities at September 30, 2021.

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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

## Sebastian Inlet District, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

#### ***Government-Wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund. Separate financial statements are provided for the governmental fund.

#### ***Fund Financial Statements***

The fund financial statements provide information about the District's fund. The emphasis of fund financial statements is on the major governmental fund.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all the financial resources of the general government.

## Sebastian Inlet District, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Budgetary Information***

##### *Budgetary basis of accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. As permitted by Section 2400, *Budgetary Reporting*, the District has elected to disclose all budgetary information in the notes to the required supplementary information.

#### ***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity***

##### *Cash and cash equivalents*

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

##### *Investments*

The District's investments consist of certificates of deposit, which are held to maturity and are nonparticipating interest-earning investment contracts. The certificates of deposits are valued at cost plus accrued interest per Section 150: *Investments* of the GASB Codification.

##### *Receivables and payables*

Amounts due from other governments include amounts due from the State of Florida. Program and capital grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are reported as "unearned".

The District considers due from other governments to be fully collectible; accordingly no allowance for doubtful accounts is required.

##### *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

##### *Capital Assets*

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year.

**Sebastian Inlet District, Florida**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)***

*Capital Assets (Continued)*

As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Property, improvements, and intangible assets are depreciated using the straight-line method over the following estimated useful lives:

Capital asset classes	Lives
Improvements other than buildings	5-20
Equipment	3-10
Office furniture	5-10
Intangible assets - land easement and improvements	50

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The District has two (2) items that qualify for reporting as deferred outflows of resources, the deferred outflows related to pensions and the deferred outflows related to other post-employment benefits, both of which are reported in the government-wide statement of net position. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to other post-employment benefits are an aggregation of items related to other post-employment benefits as calculated in accordance with GASB Codification Section P50: *Other Post-employment Benefits*. The deferred outflows related to pensions will be recognized as either pension expense or as a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one (1) item that qualifies for reporting as deferred inflow of resources. The deferred inflows *related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*.



## Sebastian Inlet District, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)*

##### *Deferred Outflows/Inflows of Resources (Continued)*

The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

*Unavailable revenue*, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

##### *Compensated Absences*

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. District employees are also allowed to accumulate unused sick leave benefits, which are eligible for payment upon separation from government service per the following: 1) Career service employees after completing their first nine (9) months of service are eligible to receive twenty percent (20%) of unused sick leave balance, not to exceed 230 paid hours; 2) Employees who are vested under the Florida Retirement System are eligible for thirty percent (30%), not to exceed 346 paid hours; 3) Employees who meet the requirements for retirement under the Florida Retirement System and retire from District Service are eligible for fifty percent (50%), and 4) Employees hired after October 1, 2011 and meet the requirements of the Florida Retirement System and retire from District service are eligible for 30%.

##### *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

##### *Pensions*

The District participates in cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State, the Florida Retirement System. For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plan's fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due.

## Sebastian Inlet District, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)*

##### *Pensions (Continued)*

The District's employer contributions are recognized when due, and the District has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plan.

##### *Other Post-Employment Benefits (OPEB) Liability*

The District participates in a single employer, defined benefit and other post-employment plan. The District does not have a trust for the plan, and there is no actuarial determined contribution. The OPEB liability is determined in accordance with GASBC P52: *Other Post-employment Benefits*.

##### *Categories and Classification of Fund Equity*

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

*Fund balance policies* – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

*Nonspendable fund balance* – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

## Sebastian Inlet District, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)*

##### *Categories and Classification of Fund Equity (Continued)*

*Committed fund balance* – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Assigned fund balance* – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The governing commission has by resolution authorized the executive director to assign fund balance. The commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Unassigned fund balance* – Unassigned fund balance is the residual classification for the General Fund.

#### **Revenues and Expenditures/Expenses**

*Intergovernmental revenues* – Amounts reported as intergovernmental revenues include grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as intergovernmental revenues.

*Property taxes* – The District is a multi-county independent taxing district and receives property taxes from both Brevard and Indian River Counties. As provided by law, the Brevard and Indian River Property Appraisers assess all property values for ad valorem taxing purposes and the Brevard and Indian River County Tax Collectors collect and distribute all taxes. The District is permitted to levy ad valorem taxes on assessed valuation by State law. The millage rate levied by the District for the year ended September 30, 2021, was 0.0796 mills.

Property taxes are considered fully collected (97% of the levy) during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are receivable as of September 30, 2021.

## Sebastian Inlet District, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Revenues and Expenditures/Expenses (Continued)*

Ad valorem taxes are levied based on the property valuation as of January 1. The fiscal year for which ad valorem taxes are levied begins October 1. Taxes are due beginning November 1 and considered delinquent on April 1. All property taxes remaining unpaid at May 30 are subject to a tax certificate sale by the respective County Tax Collector. Property tax revenues are recognized in the fiscal year for which they are budgeted and also become due and payable.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

#### *Subsequent Events*

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 8, 2022 and determined there were no events that occurred that required disclosure.

#### *Recently Issued and Implemented Accounting Pronouncements*

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

## Sebastian Inlet District, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Recently Issued and Implemented Accounting Pronouncements (Continued)*

In June 2020, the GABS issued GASB Statement No. 97, *Center Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs duties that a governing board would typically perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

The District is evaluating the requirements of the above statements and the impact on financial reporting.

### Note 2: DETAILED NOTES ON ALL FUNDS

#### *Deposits and Investments*

At September 30, 2021, the District's carrying amount of deposits was \$5,597,206 and the bank balance was \$5,684,719. In addition, the District maintained \$100 of petty cash. As of September 30, 2021, \$250,000 of the District's bank balances is covered by the Federal Depository Insurance Corporation (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the District pursuant to Section 280.08, Florida Statutes.

**Sebastian Inlet District, Florida**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Deposits and Investments (Continued)***

As of September 30, 2021, the District had the following investments and effective duration presented in terms of years:

Investment Type	Credit Rating	Cost plus Accrued Interest	Investment Maturity (Year)		
			Less than 1	From 1-5	Over 6
Government-wide					
Certificates of Deposit	Unrated	\$ 7,294,121	\$ 7,294,121	\$ -	\$ -

*Custodial credit risk* – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the District places its deposits are certified as “qualified public depositories,” as required under the Florida Security for Public Deposits Act. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District’s investment policy pursuant to Florida State Statutes 218.415(10) requires securities, with the exception of certificates of deposit, to be held with a third-party custodian; all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution.

A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposit maintained by book-entry at the issuing bank shall clearly identify the District as the owner.

As of September 30, 2021, the District’s investments were held with a third-party custodian as required by the District’s investment policies.

*Interest rate risk* – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The District’s investment policy limits interest rate risk by requiring that an attempt be made to match investment maturities with known cash needs and anticipated cash flow requirements. This policy is pursuant to Florida State Statute 218.415(6).

**Sebastian Inlet District, Florida**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Deposits and Investments (Continued)***

*Credit Risk* – The District’s investment policy pursuant to Florida State Statute 218.415 permits for investments in the Local Government Surplus Trust Fund, Securities and Exchange Commission registered money market funds with the highest credit rating quality from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified depositories and direct obligations of the United States Treasury.

***Capital Assets***

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, being depreciated/amortized:				
Improvements other than buildings	\$ 79,852	\$ -	\$ -	\$ 79,852
Equipment	83,528	3,735	-	87,263
Office furniture	4,285	-	-	4,285
Intangible assets – land easement and improvements	1,834,874	-	-	1,834,874
<b>Total capital assets being depreciated/amortized</b>	<b>2,002,539</b>	<b>3,735</b>	<b>-</b>	<b>2,006,274</b>
Less accumulated depreciation/amortization for:				
Improvements other than buildings	(38,365)	(2,654)	-	(41,019)
Equipment	(77,192)	(1,983)	-	(79,175)
Office furniture	(429)	(429)	-	(858)
Intangible assets – land easement and improvements	(363,255)	(38,528)	-	(401,783)
<b>Total accumulated depreciation/amortization</b>	<b>(479,241)</b>	<b>(43,594)</b>	<b>-</b>	<b>(522,835)</b>
<b>Total capital assets, being depreciated/amortized, net</b>	<b>1,523,298</b>	<b>(39,859)</b>	<b>-</b>	<b>1,483,439</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,523,298</b>	<b>\$ (39,859)</b>	<b>\$ -</b>	<b>\$ 1,483,439</b>

**Sebastian Inlet District, Florida**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Capital Assets (Continued)***

Depreciation and amortization expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 1,516
Physical environment	42,078
<b>Total depreciation and amortization expense - governmental activities</b>	<b>\$ 43,594</b>

***Changes in Long-Term Liabilities***

Long-term liability activity for the year ended September 30, 2021, was as follows for governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 38,332	\$ 23,185	\$ (4,718)	\$ 56,799	\$ 2,854
Pension obligation	603,012	-	(424,887)	178,125	-
Net OPEB liability	-	2,749	-	2,749	-
<b>Long-term liabilities</b>	<b>\$ 641,344</b>	<b>\$ 25,934</b>	<b>\$ (429,605)</b>	<b>\$ 237,673</b>	<b>\$ 2,854</b>

Compensated absences and net pension liability will be liquidated in future periods primarily by the General Fund for governmental activities.

***Operating Leases***

The District's office facilities are leased under a three-year, operating lease which expires on August 31, 2022. The District leases office equipment under an operating lease which expires on December 15, 2023. The District also leases a boat slip under an operating lease which expires on August 31, 2022.



**Sebastian Inlet District, Florida**  
**Notes to Financial Statements**

**Note 2: DETAILED NOTES ON ALL FUNDS (Continued)**

***Operating Leases (Continued)***

Minimum future rental payments under the non-cancelable operating leases as of September 30, 2021, are as follows:

<u>For the years ending September 30,</u>	
2022	\$ 23,997
2023	19,032
2024	422
<u>Total minimum lease payments</u>	<u>\$ 43,451</u>

Total rent expense charged to operations in 2021 was \$24,614.

**Self-Insurance Program**

The District is a member of the Florida League of Cities (a not-for-profit corporation) self-insurance program for workers' compensation and general liability.

The self-insurance program purchases excess and specific coverage from third party insurance carriers. Members in the program are billed quarterly for their portion of the cost of the program. Members are not assessed for unanticipated losses incurred by the program. Premiums paid by the District during the year totaled \$13,298. In the past three years, there have been no claims settled exceeding the District's coverage. As of September 30, 2021, there are no outstanding claims.

**Note 3: RETIREMENT PLANS**

***Description of Plans***

The District established a defined contribution simplified employee pension plan ("SEP"), in the form of Self-Directed Individual Retirement Accounts, by action of the Commission on September 24, 1991. The District has no fiduciary responsibility for this plan.

Any full-time employee of the District who has attained age 21 and is employed by the District is eligible to participate in the pension plan of the District. Pension costs are comprised of current service costs, which are accrued and funded on a current basis. The contribution rate is equal to the difference between the Florida Retirement System ("FRS") employer contribution rate and 15% of eligible employee salaries, for a total contribution of 15% between the two plans. The 15% benefit is paid by the District. The 15% is split into a contribution to the FRS plan for the amount invoiced by the State. The remaining difference is sent to the SEP plan. Total FRS eligible payroll for all employees was \$259,362 and all were covered by the plan at year end. For the year ended September 30, 2021, the District contributed \$5,696 to the SEP.

**Note 3: RETIREMENT PLANS (Continued)**

***Description of Plans (Continued)***

The District participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The Florida Retirement System ("FRS") Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program ("DROP") available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy ("HIS") Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

***Benefits Provided***

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. 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.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

**Sebastian Inlet District, Florida**  
**Notes to Financial Statements**

**Note 3: RETIREMENT PLANS (Continued)**

***Contributions***

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer's contribution rates as of September 30, 2021, were as follows:

	FRS	HIS
Regular class	9.16%	1.66%
Senior management service class	27.35%	1.66%
Elected officials	49.76%	1.66%

The employer's contributions for the year ended September 30, 2021, were \$50,671 to the FRS Pension Plan and \$4,307 to the HIS Program.

***Pension Liabilities and Pension Expense***

In its financial statements for the year ended September 30, 2021, the District reported a liability for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program. The net pension liabilities were measured as of June 30, 2021. The District's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net Pension Liability	\$ 87,785	\$ 90,340
Proportion at:		
Current measurement date	0.0012%	0.0007%
Prior measurement date	0.0012%	0.0008%
Pension expense (benefit)	\$ (11,806)	\$ 4,051

***Deferred Outflows/Inflows of Resources Related to Pensions***

At September 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Sebastian Inlet District, Florida**  
**Notes to Financial Statements**

**Note 3: RETIREMENT PLANS (Continued)**

***Deferred Outflows/Inflows of Resources Related to Pensions (Continued)***

	FRS		HIS	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 15,046	\$ -	\$ 3,023	\$ (38)
Change of assumptions	60,067	-	7,099	(3,722)
Net difference between projected and actual earnings on pension plan investments	-	(306,259)	94	-
Changes in proportion and differences between District pension plan contributions and proportionate share of contributions	29,723	(53,978)	8,761	(24,105)
District pension plan contribution subsequent to the measurement date	12,696	-	1,152	-
Total	\$ 117,532	\$ (360,237)	\$ 20,129	\$ (27,865)

***Pension Liabilities and Pension Expense***

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2021. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending September 30:	FRS		HIS	
2022	\$	(44,983)	\$	(2,448)
2023		(52,454)		(780)
2024		(69,481)		(1,609)
2025		(89,035)		(2,136)
2026		552		(1,596)
Thereafter		-		(319)
Total	\$	(255,401)	\$	(8,888)

***Actuarial Assumptions***

The total pension liability for each of the defined benefit plans was measured as of June 30, 2021. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2021. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2020 rolled-forward using standard actuarial procedures. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

**Sebastian Inlet District, Florida**  
**Notes to Financial Statements**

**Note 3: RETIREMENT PLANS (Continued)**

***Actuarial Assumptions (Continued)***

	FRS	HIS
Inflation	2.40%	2.40%
Salary increases	3.25%	3.25%
Investment rate of return	6.80%	N/A
Discount rate	6.80%	2.16%

Mortality assumptions for both plans were based on the PUB-2010 base tables projected generationally with Scale MP-2018.

For both plans, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The following changes in key actuarial assumptions occurred in 2021:

FRS: Decrease in the maximum amortization period to 20 years for all current and future amortization bases.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 2.21% to 2.16%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1.0%	2.1%	2.1%
Fixed income	20.0%	3.8%	3.7%
Global equity	54.2%	8.2%	6.7%
Real estate	10.3%	7.1%	6.2%
Private equity	10.8%	11.7%	8.5%
Strategic investments	3.7%	5.7%	5.4%
Total	<u>100%</u>		

Assumed Inflation - Mean 2.40%

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

**Sebastian Inlet District, Florida  
Notes to Financial Statements**

**Note 3: RETIREMENT PLANS (Continued)**

***Discount Rate***

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.80%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 2.16% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

***Sensitivity Analysis***

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

<b>September 30, 2021</b>	<b>FRS</b>			<b>HIS</b>		
	1% Decrease	Current Discount	1% Increase	1% Decrease	Current Discount	1% Increase
Discount rate	5.80%	6.80%	7.80%	1.16%	2.16%	3.16%
District's proportionate share of the net pension liability	\$ 392,580	\$ 87,785	\$ (166,990)	\$ 104,442	\$ 90,340	\$ 78,787

***Pension Plans' Fiduciary Net Position***

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

***Defined Contribution Plan***

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2021, totaled \$12,223.

## Sebastian Inlet District, Florida Notes to Financial Statements

### Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

#### *Plan Description*

The District follows Section P52: *Postemployment Benefits Other Than Pensions* (OPEB) of the GASB Codification, for certain postemployment health care benefits provided by the District.

The District participates in the Brevard County, Florida (the "County") healthcare plan. The Brevard County Board of County Commissioners (the "Board") administers a single-employer defined benefit healthcare plan (the "Plan") that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the District is required to provide eligible retirees (as defined in the County's pension plans) the opportunity to participate in this Plan at the same cost that is applicable to active employees. Eligible retirees must be drawing an immediate benefit from their respective pension plan and be enrolled in medical coverage prior to retirement. Surviving spouses of participants are allowed access to the Plan but must pay the full premium. Benefit provisions for the Plan were established by the Board on May 12, 1987 and may only be amended by the Board. The District does not issue stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the District's basic financial statements.

Employees who are active participants in the Plan at the time of retirement and are either age 62 with completion of six years of service or have 30 years of service are eligible to receive benefits. The District accounts for 3 active participants. Of the total, none are eligible to receive benefits.

Benefit provisions can only be amended by the Board. On at least an annual basis, and prior to the enrollment process, the Board approves the rates for the coming year for the retiree, employee and County contributions. Neither the County nor the District has established a trust or agency fund for the Plan. Neither the County nor District issues stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the District's basic financial statements.

#### *Funding Policy*

The District is funding the Plan on a pay-as-you-go basis. The maximum employer contribution target is 56% of the annual premium cost of the Plan. The annual premium costs are between \$7,140 and \$11,964 for retirees and spouses under age 65 and between \$1,886 and \$5,777 for retirees and spouses over age 65. Employees hired prior to January 1, 2006 are eligible to receive 100% of the earned percentage of benefits for their lifetime upon attainment of age 62 and completion of six years of service or upon completing 30 years of service, if earlier. Employees hired on or after January 1, 2006 are eligible to receive a graduated earned percentage of benefits upon retirement based on years of service.

For the year ended September 30, 2021, none of the contribution was attributed to the District.

**Sebastian Inlet District, Florida**  
**Notes to Financial Statements**

**Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

***Plan Membership***

At October 1, 2021, OPEB membership consisted of the following:

	Number of covered individuals
Inactive members	2
Active members	3
Total	5

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the September 30, 2021 actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	150.00 percent of the rate of medical inflation
Salary Increases	2.00 percent projected annual salary increase
Discount rate	2.43 percent investment rate of return
Health care cost trend rates	6.00 percent using Society of Actuaries Long-Term Model
Retirees' share of benefit-related costs	44.00 percent of annual premium cost

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2021 actuarial valuation, the Entry Age Normal, Level Percent of Pay cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 6.00% initially, reduced by decrements to an ultimate rate of 5.00% after two years. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.



**Sebastian Inlet District, Florida**  
**Notes to Financial Statements**

**Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

***Actuarial Assumptions and Other Inputs (Continued)***

At September 30, 2021 the District reported a Net OPEB liability of \$2,749. The GASB 75 information has been provided as of the September 30, 2021 measurement date.

	Increase (Decrease)	Total OPEB	Plan Fiduciary	Net OPEB
	Total OPEB	Liability	Net Position	Liability
Change in Net OPEB Liability	(a)	(b)	(a) - (b)	(a) - (b)
Balance as of October 1, 2020 for FYE 2020	\$ -	\$ -	\$ -	\$ -
Changes for the year:				
Changes of assumptions	(122)	-	-	(122)
Difference between expected and actual experience	2,871	-	-	2,871
Net changes	2,749	-	-	2,749
Balance as of October 1, 2021 for FYE 2021	\$ 2,749	\$ -	\$ -	\$ 2,749

Changes in assumptions and other inputs reflect a change in the discount rate from 2.14% as of September 30, 2020 to 2.43% as of September 30, 2021. The methods, assumptions, and participant data used are detailed in the actuarial valuation report dated October 1, 2021 with the exception of the actuarial cost method. These calculations are based on the Entry Age Normal cost method required by GASBC P52.

**Note 5: COMMITMENTS**

The District had contractual commitments at September 30, 2021, of approximately \$560,220 for various projects at the Inlet. Future appropriations will fund these commitments as work is performed.

**Note 6: UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the ongoing operating activities and future results of the District. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects of the financial markets, and (v) the effects on the economy overall, all of which remain uncertain as of April 8, 2022.

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**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Sebastian Inlet District, Florida**  
**Schedule of Proportionate Share of Net Pension Liability**

<b>Florida Retirement System (FRS)</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>
District's proportion of the net pension liability	0.0012%	0.0012%	0.0013%
District's proportionate share of the net pension liability	\$ 87,785	\$ 505,982	\$ 441,168
District's covered payroll	\$ 260,730	\$ 275,810	\$ 330,780
District's proportionate share of the net pension liability as a percentage of its covered payroll	33.67%	183.45%	133.37%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%

<b>Health Insurance Subsidy (HIS)</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>
District's proportion of the net pension liability	0.0007%	0.0008%	0.0010%
District's proportionate share of the net pension liability	\$ 90,340	\$ 97,030	\$ 110,667
District's covered payroll	\$ 260,730	\$ 275,810	\$ 330,780
District's proportionate share of the net pension liability as a percentage of its covered payroll	34.65%	35.18%	33.46%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%

**Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only the years for which information is available.**

**Note 2: The Plan's fiduciary net position as a percentage of the total pension liability is published in Note 2 of the Plan's Financial Statements.**

**Note 3: Amounts presented for each fiscal year were determined as of 6/30.**

**Florida Retirement System (FRS)**

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.0010%	0.0014%	0.0015%	0.0016%	0.0015%
\$ 302,205	\$ 427,472	\$ 389,554	\$ 208,444	\$ 90,967
\$ 309,460	\$ 306,216	\$ 275,409	\$ 269,803	\$ 262,130
97.66%	139.60%	141.45%	76.96%	34.70%
84.26%	83.89%	84.88%	92.00%	96.09%

**Health Insurance Subsidy (HIS)**

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.0009%	0.0010%	0.0009%	0.0009%	0.0009%
\$ 93,078	\$ 102,720	\$ 103,975	\$ 90,695	\$ 90,695
\$ 309,460	\$ 306,216	\$ 275,409	\$ 269,803	\$ 262,130
30.08%	33.54%	37.75%	33.48%	33.48%
2.15%	1.64%	0.97%	92.00%	92.00%

**Sebastian Inlet District, Florida  
Schedule of Contributions**

**Florida Retirement System (FRS)**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Contractually required contribution	\$ 50,671	\$ 40,372	\$ 41,493
Contributions in relation to the contractually required contribution	(50,671)	(40,372)	(41,493)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered payroll	\$ 259,362	\$ 279,079	\$ 324,932
Contributions as a percentage of covered-employee payroll	19.54%	14.47%	12.77%

**Health Insurance Subsidy (HIS)**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Contractually required contribution	\$ 4,307	\$ 4,633	\$ 5,395
Contributions in relation to the contractually required contribution	(4,307)	(4,633)	(5,395)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered payroll	\$ 259,362	\$ 279,079	\$ 324,932
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%

**Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only the years for which information is available.**

**Florida Retirement System (FRS)**

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 29,188	\$ 34,264	\$ 38,856	\$ 39,346	\$ 32,657
(29,188)	(34,264)	(38,856)	(39,346)	(32,657)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 310,799	\$ 308,562	\$ 277,210	\$ 270,853	\$ 263,915
9.39%	11.10%	14.02%	14.53%	12.37%

**Health Insurance Subsidy (HIS)**

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 4,791	\$ 5,123	\$ 4,603	\$ 3,399	\$ 3,055
(4,791)	(5,123)	(4,603)	(3,399)	(3,055)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 310,799	\$ 308,562	\$ 277,210	\$ 270,853	\$ 263,915
1.54%	1.66%	1.66%	1.25%	1.16%

**Sebastian Inlet District, Florida**  
**Schedule of Changes in OPEB Liability and Related Ratios**

September 30,	2021	2020	2019
Service cost	\$ -	\$ 204	\$ 273
Interest	-	140	246
Difference between expected and actual experience	2,871	(2,558)	(399)
Changes of assumptions or other inputs	(122)	-	240
Benefit payments	-	(3,252)	(1,420)
Net change in total OPEB liability	2,749	(5,466)	(1,060)
Total OPEB liability - beginning	-	5,466	6,526
Total OPEB liability - ending	\$ 2,749	\$ -	\$ 5,466
Covered-employee payroll	\$ 239,208	\$ 447,393	\$ 423,935
Total OPEB liability as a percentage of covered-employee payroll	1.15%	0.00%	1.29%

\* GASB 75 requires an employer to disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.

\* The following discount rate was used in each period:

9/30/2017 - 1.00%

9/30/2018 - 4.24%

9/30/2019 - 3.64%

9/30/2020 - 2.14%

9/30/2021 - 2.43%



	2018
\$	415
	329
	(2,010)
	(298)
	(1,920)
	(3,484)
	10,010
\$	6,526
\$	384,749

1.70%

**Sebastian Inlet District, Florida**  
**Schedule of Revenues, Expenditures, and Changes in General Fund Balance –**  
**Budget and Actual**

<i>Year ended September 30, 2021</i>	Original Budget	Final Budget	Actual (Budgetary Basis - See Notes	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes:				
Brevard County	\$ 1,839,543	\$ 1,839,543	\$ 1,791,055	\$ (48,488)
Indian River County	425,203	425,203	414,503	(10,700)
Intergovernmental	-	-	753,730	753,730
Interest and other	18,000	18,000	24,659	6,659
<b>Total revenues</b>	<b>2,282,746</b>	<b>2,282,746</b>	<b>2,983,947</b>	<b>701,201</b>
<b>Expenditures</b>				
Current:				
General government	809,100	809,100	656,785	152,315
Physical environment	10,858,646	10,858,646	1,815,082	9,043,564
<b>Total expenditures</b>	<b>11,667,746</b>	<b>11,667,746</b>	<b>2,471,867</b>	<b>9,195,879</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(9,385,000)</b>	<b>(9,385,000)</b>	<b>512,080</b>	<b>9,897,080</b>
<b>Fund balances, beginning of year</b>	<b>13,279,360</b>	<b>13,279,360</b>	<b>13,279,360</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 3,894,360</b>	<b>\$ 3,894,360</b>	<b>\$ 13,791,440</b>	<b>\$ 9,897,080</b>

## Sebastian Inlet District, Florida Notes to Required Supplementary Information

### ***Budgetary Information***

The District Commissioners adopt an annual operating budget prior to September 30 for the ensuing fiscal year. Legal budgets are adopted by resolution for the General Fund. The budget is prepared on a modified accrual basis with encumbrance accounting, which is consistent with accounting principles generally accepted in the United States of America.

Budgetary control is legally maintained at a department level. Budget transfers are provided to the Executive Director within categories, i.e. general government and physical environment, as long as the total budget of the categories is not increased. Actions which increase the total budget of a category must be authorized by the District Commissioners.

All appropriations which are not expended, encumbered or committed lapse at year end. Encumbered appropriations are carried forward to the subsequent year's budget.

### ***Encumbrances***

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are carried forward to the following year's budget and are reported as a reservation of fund balance in the governmental fund financial statements since they do not constitute actual expenditures or liabilities.

Actual results of operations are presented in accordance with generally accepted accounting principles (GAAP basis). The District's accounting policies do not recognize encumbrances as expenditures until the period in which the actual goods or services are received and a liability is incurred. It is necessary to include budgetary encumbrances to reflect actual revenues and expenditures on a basis consistent with the District's legally adopted budget.

### ***Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures***

The accompanying schedule of revenues, expenditures and changes in general fund balance - budget and actual on page 50 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, timing, perspective, and entry differences in the net changes in fund balance for the year ended September 30, 2021, is presented below:

Net change in fund balance – budgetary basis	\$ 512,080
Differences – budget to GAAP:	
Outstanding encumbrances	560,220
Prior year encumbrances completed	(833,905)
<u>Net change in fund balance – GAAP basis</u>	<u>\$ 238,395</u>

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**ADDITIONAL ELEMENTS REQUIRED BY *GOVERNMENT AUDITING*  
*STANDARDS* AND THE RULES OF THE AUDITOR GENERAL**

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

To the District Commissioners  
Sebastian Inlet District, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Sebastian Inlet District, Florida (the "District"), as of and for the year ended September 30, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 8, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency described below to be a material weakness (2021-001), and a deficiency described below to be a significant deficiency (2021-002).

## 2021-001 RECORDING GRANTS RECEIVABLE

**Condition:** A grant receivable for fiscal year 2020 was not recorded in the prior year for approximately \$93,000. Grants receivable for fiscal year 2021 were not recorded in the current year for approximately \$593,000.

**Criteria:** Grant revenue and receivables should be recorded in the general ledger once the revenue has been earned (eligibility requirements have been met). Per GASB 33 *Accounting and Financial Reporting for Nonexchange Transactions*, typically eligibility is met when the allowable costs have been incurred for reimbursement-based grants.

**Cause:** The receivables were not recorded until the amounts were submitted for reimbursement.

**Effect:** Receivables, deferred inflows, and revenue were understated.

**Recommendation:** Management should review all grant reimbursements submitted shortly after year end to determine if a receivable needs to be accrued.

**Management Response:** All pre-audit, financial statement reports released by staff include a footnote that reads: *“Internal Use Only-Unaudited-Subject to Change”*. The footnote is included with District statements to apprise the reader of the possibility that entries may be adjusted. Pursuant to the recommendation, management will closely monitor grant receivables at year end.

## 2021-002 CUTOFF

**Condition:** Tax revenue and liabilities were not recognized in the correct period.

**Criteria:** Tax revenue should be recognized in the period in which it was imposed, and all liabilities should be recorded in the period in which services were rendered.

**Cause:** Disbursement detail of tax revenue for the period of July – October 2021 was recorded in the current fiscal year. Review of disbursement detail showed most of the activity was for the next fiscal period which began October 1, 2021. Invoice detail for a check written after year end was not reviewed, indicating a portion of the services were for fiscal year 2021.

**Effect:** Current year tax revenue was overstated by \$18,951, and liabilities were understated by approximately \$49,000.

**Recommendation:** We recommend year-end tax disbursement reports are reviewed thoroughly and record the revenues according to the month they were intended. We also recommend that supporting detail for check written after year end be reviewed for proper cutoff and recorded in the period in which the services were rendered.

**Management Response:** Management recognizes the misreading of the ad valorem tax revenue report from Indian River County that resulted in the crediting of the incorrect period. As to the Liabilities condition, the invoice detail referenced was reviewed by staff and inadvertently recorded in fiscal year 2021-2022. Other vendor service charges included in that particular invoice were recorded in the proper year.



## **Compliance and Other Matters**

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

## **Sebastian Inlet District, Florida's Response to Findings**

The District's responses to the findings identified in our audit were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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.

*Carr, Rigg & Ingram, L.L.C.*

Melbourne, Florida

April 8, 2022

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## **INDEPENDENT AUDITORS' MANAGEMENT LETTER**

To the District Commissioners  
Sebastian Inlet District, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the Sebastian Inlet District, Florida (the "District") as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated April 8, 2022.

### **Auditors' Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 8, 2022, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

#### Prior year Management Letter Comments: \*

#### Status

IC 2020-001 – Fund Balance Reconciliation  
Cleared

\*The findings listed above originated in the fiscal year 2020 audit.

## Official Title and Legal Authority

Section 10.554(l)(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 legal authority of the District is disclosed in the footnotes. The District has no component units.

## Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we had no such recommendations.

## Specific Information (Unaudited)

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Sebastian Inlet District reported the information in supplemental schedules. This information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Sebastian Inlet District reported:

- |   |            |
|---|------------|
| a. Total number of District employees compensated in the last pay period of the District's fiscal year as                               | 3          |
| b. Total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as | None       |
| c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency.                              | \$ 241,362 |

- |   |  |
|---|--|
| d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency.  | None                                       |
| e. Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin after October 1 of the fiscal year being reported, together with the total expenditures for such projects.            | None                                       |
| f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes. | See Budget and Actual Statement on page 50 |

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Sebastian Inlet District reported:

- |   |              |
|---|--------------|
| a. The millage rate or rates of non-ad valorem imposed by the District                      | 0.0796       |
| b. The total amount of ad valorem taxes collected by or on behalf of the District           | \$ 2,205,558 |
| c. The total amount of outstanding bonds issued by the District and the terms of such bonds | None         |

Information required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)8, Rules of the Auditor General, does not apply as the Sebastian Inlet District does not impose any special assessments.

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

**Purpose of this Letter**

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

*Carr, Riggs & Ingram, L.L.C.*

Melbourne, Florida

April 8, 2022

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## **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES**

To the District Commissioners  
Sebastian Inlet District, Florida  
Indianapolis, Florida

We have examined the Sebastian Inlet District, Florida's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2021. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021.

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

*Carr, Riggs & Ingram, L.L.C.*

Melbourne, Florida  
April 8, 2022