

**Town of Sewall’s Point, Florida**

**FINANCIAL STATEMENTS**

**Year Ended September 30, 2021**



**Town of Sewall's Point Florida**  
**Table of Contents**  
**September 30, 2021**

**INTRODUCTORY SECTION**

Title Page .....	1
Table of Contents .....	2
Town Officials .....	3

**FINANCIAL SECTION**

Independent Auditors' Report .....	5
Management's Discussion and Analysis .....	7

**BASIC FINANCIAL STATEMENTS**

Government-wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Fund .....	17
Reconciliation of Fund Balance of Governmental Fund to Net Position of Governmental Activities .....	18
Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund .....	19
Reconciliation of Net Change in Fund Balance of Governmental Fund to Change in Net Position of Governmental Activities .....	20
Notes to Financial Statements .....	21

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual: General Fund.....	36
Notes to Budget.....	37

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS**

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 .....	41
Independent Auditors' Management Letter .....	45
Independent Accountants' Report on Compliance with Local Government Investment Policies .....	49

**Town of Sewall's Point, Florida  
Town Officials  
As of September 30, 2021**

Kaija Mayfield  
*Mayor*

James Campo  
*Vice-Mayor*

Frank Fender  
Dave Kurzman  
John Tompeck  
*Commission Members*

Michelle Berger  
*Town Manager*

THIS PAGE IS INTENTIONALLY LEFT BLANK.

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members of the Town Commission  
Town of Sewall's Point, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Sewall's Point, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Sewall's Point, Florida'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 an opinion 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 opinion.

## **Opinion**

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 Town of Sewall's Point, Florida as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and General Fund Budget vs. Actual schedule, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022, on our consideration of the Town of Sewall's Point, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Sewall's Point, Florida'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 Town of Sewall's Point, Florida's internal control over financial reporting and compliance.

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

Melbourne, Florida  
January 20, 2022

## Town of Sewall's Point, Florida Management's Discussion and Analysis September 30, 2021

The purpose of Management's Discussion and Analysis (MD&A) is to give an objective and easily readable analysis of the Town of Sewall's Point's (the "Town") financial performance for the fiscal year ended September 30, 2021, and to serve as an introduction to the audited financial statements. The MD&A also includes information on significant variations from budget and prior year actual.

### Financial Highlights

- The Town's total assets exceed its liabilities at September 30, 2021 and 2020 by \$7,665,387 and \$5,269,800 (net position), respectively, of this amount, \$2,305,883 and \$3,357,594 were from unrestricted funds and \$5,359,504 and \$1,912,206 were in net investment in capital assets.
- The Town's net position increased by \$2,395,587.
- The fund balances of the General Fund at September 30, 2021 and 2020 were \$2,084,908 and \$3,418,540, respectively.

### Overview of the Financial Statements

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

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

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

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

**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 Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has only one governmental fund, the General Fund.

**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-*

**Town of Sewall's Point, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2021**

*term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.*

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

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the fund to demonstrate compliance with this budget.

**Government-Wide Financial Analysis**

As previously stated, net position may serve over time as a useful indicator of the Town's financial position. The following is a summary of the Statement of Net Position as of September 30:

	Net Position	
	Governmental Activities	
	2021	2020
<b>Assets</b>		
Current and other assets	\$ 3,244,586	\$ 3,883,364
Capital assets, net	5,611,535	1,912,206
<b>Total assets</b>	<b>8,856,121</b>	<b>5,795,570</b>
<b>Liabilities</b>		
Long-term liabilities outstanding	61,581	60,946
Other liabilities	1,129,153	464,824
<b>Total liabilities</b>	<b>1,190,734</b>	<b>525,770</b>
<b>Net position</b>		
Net investment in capital assets	5,359,504	1,912,206
Unrestricted	2,305,883	3,357,594
<b>Total net position</b>	<b>\$ 7,665,387</b>	<b>\$ 5,269,800</b>

The increase in capital assets is due to the Town's investment in infrastructure and resiliency projects related to South Sewall's Point Road for approximately \$3.7 million, and liquidated approximately \$1.15 million in investments to fund the projects. Other liabilities and current assets increased approximately \$560,000 for American Rescue Plan Act grant proceeds that had not yet been earned.



**Town of Sewall's Point, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2021**

The following is a summary of the Statement of Activities for the years ended September 30:

	Change in Net Position Governmental Activities	
	2021	2020
Program revenues:		
Charges for services	\$ 828,713	\$ 431,446
Operating grants	-	692,063
Capital grants	1,884,093	-
General revenues:		
Property taxes	1,983,914	1,937,948
Franchise taxes	233,298	226,011
Sales and use taxes	272,130	230,308
State revenue sharing	281,381	254,818
Investment earnings	4,381	30,597
Other revenue	52,305	41,669
Total revenues	5,540,215	3,844,860
Expenses:		
General government	1,126,361	546,117
Public safety	1,637,328	1,386,226
Physical environment	380,939	1,789,475
Total expenses	3,144,628	3,721,818
Change in net position	2,395,587	123,042
Net position:		
Beginning of year	5,269,800	5,146,758
<b>End of year</b>	<b>\$ 7,665,387</b>	<b>\$ 5,269,800</b>

The projects related to South Sewall's Point Road were partially funded by HMGP and DEP grants of approximately \$1.2 million which resulted in higher than normal capital grant revenue for fiscal year 2021. There was also an agreement with the County for capital improvements for approximately \$560,000. The decline in operating grants was for projects completed in fiscal year 2020, which was also the cause for the decline in expenses. South Sewall's Point Road Phase 1, Parts 2 and 3 are expected to be fully complete by the end of fiscal year 2022. In addition, there was an increase in charges for services due to more building permits for approximately \$300,000.

**Financial analysis of the governmental fund**

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

**Town of Sewall's Point, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2021**

At September 30, 2021 and 2020, the Town's governmental fund reported respective ending fund balances of \$2,084,908 and \$3,418,540, a decrease of \$1,333,632.

Revenue increased due to the grants from HMGP and DEP for approximately \$1.2 million. In addition, there was an increase in building permits of approximately \$300,000. Expenditures increased relating to capital outlay for the HMGP and DEP grants of approximately \$3.7 million less prior year expenditures for operating grants of approximately \$560,000.

**General Fund Budgetary Highlights**

The budget and actual schedules show the original budgets, the final budget, actual results, and variance between the final budget and actual results for the General Fund.

See the Budgetary Comparison Schedule for the General Fund on page 36 for more details.

**Capital Assets**

The Town's capital assets for its governmental activities as of September 30, 2021 amounted to \$5,611,535 (net of accumulated depreciation). This investment in capital assets includes building, improvements, streetlights, roadways, and machinery and equipment.

Additional information on the Town's capital assets can be found in Note 2 to the financial statements.

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

The Town's 2022 budget reflected a millage rate increase to 3.2688 mills from 2.87 mills. Through the use of grant funding, the Town continues to address flooding and water quality concerns through system improvements. The Town continues to improve efficiencies that will allow continued high levels of service at the least possible cost.

Property Taxes are the main source of revenue for governmental activities and represent approximately 60% of the General Fund budgeted revenues.

**Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town of Sewall's Point's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, may be addressed to the Town Manager at 1 S. Sewall's Point Rd, Sewall's Point, FL 34996.

**TOWN OF SEWALL'S POINT, FLORIDA**

Basic Financial Statements

THIS PAGE IS INTENTIONALLY LEFT BLANK.

**Town of Sewall's Point, Florida**  
**Statement of Net Position**

<i>September 30, 2021</i>	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,413,026
Investments	1,244,561
Receivables, net	62,567
Prepaid items	135,782
Due from other governments	388,650
Capital assets	
Non-depreciable	4,303,424
Depreciable, net	1,308,111
<b>Total assets</b>	<b>8,856,121</b>
<b>Liabilities</b>	
Accounts payable	529,625
Accrued payroll and related liabilities	42,078
Unearned revenue	557,450
Non-current liabilities	
Due within one year	
Compensated absences	24,632
Due in more than one year	
Compensated absences	36,949
<b>Total liabilities</b>	<b>1,190,734</b>
<b>Net Position</b>	
Net investment in capital assets	5,359,504
Unrestricted	2,305,883
<b>Total net position</b>	<b>\$ 7,665,387</b>

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

**Town of Sewall's Point, Florida**  
**Statement of Activities**

*For the year ended September 30, 2021*

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Fines	Capital Grants and Contributions
<b>Primary Government</b>			
Governmental activities			
General government	\$ 1,126,361	\$ 734,175	\$ -
Public safety	1,637,328	94,538	-
Physical environment	380,939	-	1,884,093
<b>Total governmental activities</b>	<b>\$ 3,144,628</b>	<b>\$ 828,713</b>	<b>\$ 1,884,093</b>

General revenues and transfers

Taxes

Property taxes, levied for general purposes

Franchise taxes

Sales and use tax

State revenue sharing and gas taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expense)  
Revenue and  
Changes in Net  
Position

---

Governmental  
Activities

---

\$ (392,186)  
(1,542,790)  
1,503,154

(431,822)

1,983,914  
233,298  
272,130  
281,381  
4,381  
52,305

2,827,409

2,395,587

5,269,800

\$ 7,665,387

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

THIS PAGE IS INTENTIONALLY LEFT BLANK.



**Town of Sewall's Point, Florida**  
**Balance Sheet**  
**Governmental Fund**

<i>September 30, 2021</i>	General
<b>Assets</b>	
Cash and cash equivalents	\$ 1,413,026
Invesments	1,244,561
Accounts receivable	62,567
Due from other governments	388,650
Prepaid items	135,782
Total assets	\$ 3,244,586
<b>Liabilities, deferred inflows of resources, and fund balances</b>	
Liabilities	
Accounts payable	\$ 529,625
Accrued payroll and related liabilities	42,078
Unearned revenue	557,450
Total liabilities	1,129,153
Deferred inflow of resources	
Unavailable revenue	30,525
Total deferred inflows of resources	30,525
Fund balances	
Nonspendable	
Reserve for prepaids	135,782
Unassigned	1,949,126
Total fund balances	2,084,908
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,244,586

**Town of Sewall's Point, Florida**  
**Reconciliation of Fund Balance of Governmental Fund to Net Position**  
**of Governmental Activities**

*September 30, 2021*

---

Total fund balances - governmental funds \$ 2,084,908

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 7,274,712	
Less accumulated depreciation and amortization	<u>(1,663,177)</u>	5,611,535

Some revenues will not be collected within 60 days after the close of the Town's fiscal year-end and are not considered as "available" revenue in the governmental funds and, therefore, are reported as deferred inflows of resources. In the statement of net position, which is on the accrual basis, the revenue is fully recognized in the statement of activities. 30,525

Compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	(61,581)
----------------------	----------

---

Net position of governmental activities	\$ 7,665,387
---	--------------

**Town of Sewall's Point, Florida**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Fund**

<i>For the year ended September 30, 2021</i>	General
<b>Revenues</b>	
Taxes	\$ 1,983,914
Franchise fees/taxes	181,006
Licenses and permits	734,175
Intergovernmental	2,459,371
Fines and forfeitures	94,538
Interest and other	4,381
Miscellaneous revenue	52,305
<hr/>	
Total revenues	5,509,690
<hr/>	
<b>Expenditures</b>	
Current	
General government	1,122,187
Public safety	1,580,664
Physical environment	4,140,471
<hr/>	
Total expenditures	6,843,322
<hr/>	
Excess (deficiency) of revenues over (under) expenditures	(1,333,632)
<hr/>	
Fund balances, beginning of year	3,418,540
<hr/>	
Fund balances, end of year	\$ 2,084,908
<hr/>	

**Town of Sewall's Point Florida**  
**Reconciliation of Net Change in Fund Balance of Governmental Fund to Change**  
**in Net Position of Governmental Activities**

<i>For the year ended September 30,</i>	2021
Net change in fund balances - total governmental funds	\$ (1,333,632)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$3,864,611 exceed depreciation expense of \$165,282 in the current period.	3,699,329
Some revenues will not be collected within 60 days after the close of the Town's fiscal year-end are are not considered as "available" revenue in the governmental funds. In the statement of net postion, presented on the accrual basis, these revenues are recognized.	30,525
Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.	(635)
Change in net position of governmental activities	\$ 2,395,587

## Town of Sewall's Point Florida Notes to the Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Sewall's Point, Florida, was incorporated in 1957 pursuant to Chapter 57-1478, Laws of Florida. The Town is governed by an elected Mayor, Vice Mayor, President Pro-Tem, and the Town Commission, which appoints a Town Administrator. The Town's major operations include public safety (police and building inspection), public works and general administrative services.

#### ***Reporting Entity***

As required by generally accepted accounting principles, these general purpose financial statements present the government and its component units. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

In evaluating the Town 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. The Town has no component units.

#### ***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 for support. The Town 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 or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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.

## Town of Sewall's Point Florida Notes to the 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.

Fines and permit revenues are not susceptible to accrual because, generally, they are not measurable until received in cash. Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

#### ***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 Town's fund. The emphasis of fund financial statements is on the major governmental fund.

The Town reports the following major governmental fund:

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

## Town of Sewall's Point Florida Notes to the Financial Statements

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

#### ***Assets, Liabilities, and Net Position or Equity***

##### *Cash and equivalents*

The Town's cash and cash equivalents include amounts on deposit in demand accounts and money market accounts.

##### *Investments*

Investments are reported at fair value, which is determined by using various third party pricing sources. The Local Government Surplus Funds Trust Fund, administered by the Florida State Board of Administration is a "2A-7 like" pool and, thus, these investments are valued using the pooled share price.

##### *Receivables and payables*

Amounts due from other governments include amounts due from the State of Florida for state revenue sharing. 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 Town 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 the government-wide and general 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 plant, property and equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years.

Such assets are recorded at cost or the acquisition value of the assets at the time of purchase or contribution. 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.

Property, streetlights, and equipment are depreciated using the straight-line method over the following estimated useful lives:

**Town of Sewall's Point Florida**  
**Notes to the Financial Statements**

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

Capital asset classes	Lives
Buildings	40
Improvements other than buildings	10 - 30
Infrastructure	25 - 40
Equipment	5 - 26
Software	3

The Town reviews capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a current charge to income is recognized.

***Compensated Absences***

The Town'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. Accumulated sick leave lapses when employees leave the employment of the Town and, accordingly upon separation of service, no monetary obligation exists.

***Deferred Inflows of Resources***

The balance sheet reports, as applicable, a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets by the government that is applicable to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For example, the Town would record deferred inflows of resources related to unavailable revenue.

***Net Position***

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

	Governmental Activities
Capital assets (net)	\$ 5,611,535
Retainage payable related to capital assets	252,031
Net investment in capital assets	\$ 5,359,504



## Town of Sewall's Point Florida Notes to the Financial Statements

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

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

*Fund balance flow assumption* – Sometimes the Town 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 Town'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 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 Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). When the Town incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

The provisions of GASB Codification, Section 1800, *Classifications and Terminology*, specify the following classifications:

*Nonspendable fund balance* – Nonspendable fund balances are amounts that cannot be spent because they are either (1) 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.

*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 Town's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town 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 Town for specific purposes but do not meet the criteria to be classified as committed. The governing council has by resolution authorized the finance director to assign the 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

## Town of Sewall's Point Florida Notes to the Financial Statements

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

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

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 the commitment.

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

#### *Revenues and Expenditures/Expenses*

*Program revenues* – Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

*Property taxes* - Property values are assessed as of January 1 each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the Town by Martin County (the "County") on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the real property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Martin County Property Appraiser. The County bills and collects all property taxes and remits the Town's proportionate share to the Town. In 2008, Florida Amendment One passed which closed a loophole in the original 1992 amendment that would not allow homeowners to take their property tax cap with them when they moved. It doubled the amount of homestead exemption from \$25,000 to \$50,000 on all but the least expensive homes, and created a 10% annual cap on the assessed value increase of non-homesteaded property.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town Commission, and the Martin County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2021 was 2.8700 mills (\$2.8700 per \$1,000 of taxable assessed valuation).

*Unearned revenue* - Unearned revenue includes amounts collected before the revenue recognition criteria are met. The unearned items consist primarily of funds received that have not yet been expended for the required purpose.

## Town of Sewall's Point Florida Notes to the Financial Statements

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

#### *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 objectives 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 the governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

The Town is evaluating the requirements of the above statement and the impact on reporting.

### Note 2: DETAILED NOTES ON ALL FUNDS

#### *Deposits and Investments*

At September 30, 2021, \$250,000 of the Town's bank balances is covered by federal depository insurance (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 Town pursuant to Section 280.08, Florida Statutes.

The investing of public funds with the Florida State Board of Administration (SBA) - Local Government Surplus Funds Trust Fund is governed by Section 218.407, Florida Statutes. The SBA is under regulatory oversight of the State of Florida. The investment pool consists largely of corporate notes and commercial paper. On September 30, 2021, the Town had \$1,244,561 invested. The fair value of the Town's position in the pool is equal to the value of the pooled shares or net asset value.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Town's access to 100 percent of their account value in either external investment pool.

## Town of Sewall's Point Florida Notes to the Financial Statements

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

Deposits available within various funds were consolidated for investment purposes. Interest earned was allocated to the various funds based on their average cash and investment balances.

*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 deposits are defined as public deposits. The financial institutions in which the Town 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 Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

*Interest rate risk* – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The Town’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. In addition, investments of current operating funds are required to have maturities of no longer than twelve months.

*Credit risk* – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations.

*Concentration risk* – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The Town’s investment policy does not address concentration risk.

*Fair Value* – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

**Town of Sewall's Point Florida  
Notes to the Financial Statements**

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

- Level 2 (L2): Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2021:

**Investments excluded from fair value hierarchy**

Investment type	Fair Value	Weighted Average to Maturity (WAM)	Rating	Agency
SBA (Florida PRIME)	\$ 1,244,561	64 days	AAAm	S&P
Total	\$ 1,244,561			

**Accounts Receivable**

All account receivables are shown net of an allowance for uncollectible accounts for the governmental funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2021, were as follows.

	Accounts Receivable	Franchise Fees Receivable	Allowance for Uncollectible Accounts	Net
General Fund	\$ 26,093	\$ 36,474	\$ -	\$ 62,567
Total	\$ 26,093	\$ 36,474	\$ -	\$ 62,567

Accounts receivable of the General Fund usually consist of fines. There are no other reserves for receivables recorded by the Town as of September 30, 2021.

**Town of Sewall's Point Florida**  
**Notes to the Financial Statements**

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

**Capital Assets**

The following is a summary of changes in capital assets during the year ended September 30, 2021.

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 604,382	\$ -	\$ -	\$ 604,382
Construction-in-progress	-	3,699,042	-	3,699,042
Capital assets, not being depreciated	604,382	3,699,042	-	4,303,424
Capital assets, being depreciated				
Buildings	411,010	-	-	411,010
Other improvements	261,518	-	-	261,518
Transportation and police equipment	392,750	151,791	(112,583)	431,958
Furniture, fixtures, and other equipment	94,551	13,778	(6,300)	102,029
Roads and walkways	1,624,183	-	-	1,624,183
Street lights	140,590	-	-	140,590
Capital assets, being depreciated	2,924,602	165,569	(118,883)	2,971,288
Less accumulated depreciation for				
Buildings	(309,853)	(10,222)	-	(320,075)
Other improvements	(55,441)	(10,133)	-	(65,574)
Transportation and police equipment	(320,742)	(56,664)	112,583	(264,823)
Furniture, fixtures, and other equipment	(90,307)	(3,539)	6,300	(87,546)
Roads and walkways	(772,565)	(81,209)	-	(853,774)
Street lights	(67,870)	(3,515)	-	(71,385)
Total accumulated depreciation	(1,616,778)	(165,282)	118,883	(1,663,177)
Total capital assets being depreciated, net	1,307,824	287	-	1,308,111
Governmental activities capital assets, net	\$ 1,912,206	\$ 3,699,329	\$ -	\$ 5,611,535

**Town of Sewall's Point Florida**  
**Notes to the Financial Statements**

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

Depreciation and amortization expense was allocated to the governmental functions in the statement of activities as follows:

<i>For the year ended September 30,</i>	<u>2021</u>
Governmental activities	
General government	\$ 3,539
Public safety	56,664
Physical environment	105,079
Total depreciation expense - governmental activities	<u>\$ 165,282</u>

***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
Governmental activities					
Compensated absences	\$ 60,946	\$ 51,676	\$ (51,041)	\$ 61,581	\$ 24,632
Governmental activity long-term liabilities	<u>\$ 60,946</u>	<u>\$ 51,676</u>	<u>\$ (51,041)</u>	<u>\$ 61,581</u>	<u>\$ 24,632</u>

Compensated absences will be liquidated in future periods by the General Fund for governmental activities.

**Note 3: RETIREMENT PLAN**

***Defined Contribution Pension Plan***

*General:* The Town contributes to a defined contribution plan. A defined contribution plan provides benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution plan, the benefits that a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. American United Life Insurance Company, the Plan's custodian, held no securities of the Town or other related parties during the year or as of the close of the fiscal year.

*Eligibility, Vesting, and Contributions:* Full time municipal employees of the Town may participate in the plan upon employment. Contributions made by the Town vest 20% after two years of credited service,

## Town of Sewall's Point Florida Notes to the Financial Statements

### **Note 3: RETIREMENT PLAN (Continued)**

#### ***Defined Contribution Pension Plan (Continued)***

plus 20% for each of the next four years of credited service. Contributions made by an employee vest immediately and an employee who leaves the employment of the Town is entitled to the Town's contributions ratably beginning after two years of credited service or their account may remain open until retirement. The employee is also entitled to the Town's contributions if vesting requirements are satisfied, plus interest earnings on their individual account. The Town is required to contribute 15% of the employee's annual earnings as defined by the Plan. For the year ended September 30, 2021, the Town contributed \$147,127 to the Plan.

*Forfeited Accounts:* At separation of service, participants may choose to have their account remain in the Plan or have their assets distributed or rolled over to another account. Upon distribution, a participant's non-vested portion of his or her account is forfeited. These forfeitures are then allocated to a suspense account and used to reduce, dollar for dollar, future employer contributions. There was no balance in the forfeiture accounts at September 30, 2021.

*Deferred Compensation Plan:* Employees may also voluntarily contribute to a 457 Deferred Compensation Plan. The contribution is based on various withholding percentages of those individuals' current year covered payroll. Employee contributions are made each pay period and the Town remits the contributions on their behalf.

### **Note 4: RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, for which the Town carries commercial insurance. The Town also provides employee medical benefits through commercial insurance coverage. There were no claims or reductions in insurance coverage from the prior year. The Town has not experienced settlements in excess of insurance coverage during the past three years.



**Town of Sewall's Point Florida**  
**Notes to the Financial Statements**

**Note 5: COMMITMENTS**

The Town has an inter-local with the City of Stuart for twenty-four hour fire-rescue protection, fire inspections and emergency medical services through 2029. Fire and rescue services totaled \$502,200 for the year ended September 30, 2020. The annual payment will increase as disclosed in the agreement. The following is a summary of future service payments under the inter-local agreement as of September 30, 2021:

<i>For the year ended September 30:</i>	Amount
2022	\$ 532,784
2023	548,767
2024	565,231
2025	763,061
2026	785,953
Thereafter	2,502,182
<b>Total</b>	<b>\$ 5,697,978</b>

**Note 6: CONTINGENCY**

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 the future results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

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

**Town of Sewall's Point, Florida**  
**Schedule of Revenues, Expenditures and Change in Fund**  
**Balance – Budget and Actual: General Fund**

<i>For the year ended September 30, 2021</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 1,956,715	\$ 1,956,715	\$ 1,983,914	\$ 27,199
Franchise fees/taxes	190,000	190,000	181,006	(8,994)
Licenses and permits	357,500	477,500	734,175	256,675
Intergovernmental	1,653,029	3,018,899	2,459,371	(559,528)
Fines and forfeitures	37,000	137,000	94,538	(42,462)
Investment earnings	45,000	5,000	4,381	(619)
Miscellaneous	10,000	15,000	52,305	37,305
<b>Total revenues</b>	<b>4,249,244</b>	<b>5,800,114</b>	<b>5,509,690</b>	<b>(290,424)</b>
<b>Expenditures</b>				
Category				
Administrative				
General government	3,183,244	3,460,154	1,122,187	2,337,967
Public safety	948,000	948,000	1,580,664	(632,664)
Physical environment	118,000	3,000,755	4,140,471	(1,139,716)
<b>Total expenditures</b>	<b>4,249,244</b>	<b>7,408,909</b>	<b>6,843,322</b>	<b>565,587</b>
Net change in fund balance	-	(1,608,795)	(1,333,632)	(856,011)
Fund balance, beginning of the year	3,418,540	3,418,540	3,418,540	-
<b>Fund balance, end of year</b>	<b>\$ 3,418,540</b>	<b>\$ 1,809,745</b>	<b>\$ 2,084,908</b>	<b>\$ (856,011)</b>

Note that this schedule is prepared on a budgetary basis, but is not different from Generally Accepted Accounting Principles (GAAP) in the presentation.

**Note 1: BUDGETARY INFORMATION**

*Budgetary basis of accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The Town follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements:

1. Annually, the Town Manager submits to the Town Commission a proposed operating budget for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
2. Public hearings are conducted to obtain taxpayer comments regarding the Town's budget and millage rate in accordance with Chapter 200 of the Florida Statutes.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance. It is adopted at the Town Commission level of government.
4. Annual appropriated budgets are adopted for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America.
5. The Town Commission may make, by ordinance, supplemental appropriations during the fiscal year.
6. The Town's budget is adopted on a basis consistent with generally accepted accounting principles in the United States of America. The Town's budgetary level of control is legally maintained at the fund level.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

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

THIS PAGE IS INTENTIONALLY LEFT BLANK.



**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**

Honorable Mayor and  
Members of the Town Commission  
Town of Sewall's Point, 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 the major fund of the Town of Sewall's Point, Florida (the "Town"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 20, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

## **MW 2021-001 Recording Fixed Assets**

**Condition:** The depreciation schedule was not adjusted to reflect the current fixed assets. There were amounts for fixed assets incorrectly included and excluded from the Town's depreciation schedule, including a vehicle received after the current year. Additionally, related amounts for depreciation and accumulated depreciation were either incorrectly recorded or not updated.

**Criteria:** Fixed assets should be recorded when placed in service. Depreciation expense should be calculated for all applicable assets based on their useful lives, and someone other than the preparer should review the calculation.

**Cause of condition:** Fixed asset additions were not reconciled to capital outlay, and the depreciation expense calculation was not reviewed.

**Potential effect of condition:** An inaccurate amount of fixed assets could be capitalized on the government-wide financial statements and/or depreciation and accumulated depreciation could be misstated.

**Recommendation:** We recommend management reconcile capital outlay to fixed asset additions so that the additions report matches capital outlay. We recommend management review when assets are received/placed into service so that they are recorded in the proper period. We recommend management review all disposals to ensure that decreases in accumulated depreciation are adjusted properly. We recommend someone other than the preparer review the listing of fixed assets in order to ensure that depreciation expense is accurately and completely recorded.

**Management's Response:** Customary processes with previous audit services included updating the fixed assets schedule post-audit completion. Because the Town does not have a fixed asset software system to track additions and deletions, reliance on the previous years' work has been the practice for Management. In the future, Management will make every effort to allow for calculation, review and entry of depreciation by different personnel, based on Commission approved staffing levels.

Police vehicles were approved in the 20-21 budget and ordered in calendar year 2020. Delays in coordinating the trade in allowance of disposed/obsolete vehicles, caused possession to take place on October 8, 2021, 8 days after the close of the fiscal year. The automobile industry has recorded numerous supply chain delays due to COVID over the past almost two years. While the placed in service date was after the close of the fiscal year, the funds were committed and obligated in FY 20-21.

## **MW 2021-002 Recording Grants Receivable**

**Condition:** A grant receivable for fiscal year 2020 was not recorded in the prior year for approximately \$19,000. Grants receivable for fiscal year 2021 were not recorded in the current year for approximately \$298,000.

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

**Effect of condition:** 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's Response:** The request for reimbursement for HMGP Grant 4283-84-A H0603, was submitted to FDEM for approval on 10/4/2021, approved on 10/11/2021, submitted for payment on 10/12/21, and deposited to the operating account on 10/25/2021. While Management recognizes the importance and requirement to accrue all receivables, the historical volatility and timely reimbursement of grant and FEMA funds, in particular, led to a conservative approach in recognizing revenue. Section C (20) c of the grant agreement explains that "if the necessary funds are not available to fund this Agreement.....all obligations on the part of the Division to make any further payment of funds shall terminate...."

The TMDL grant reimbursement, in the amount of \$19,636.87, was submitted for approval on 11/4/2020 and deposited to the operating account on 11/17/2020. The Performance Standards of the Agreement for Tasks 3 & 4, require the Department's Grant Manager review to verify the acceptance of deliverables and proceed with reimbursement submittal. Due process was clearly outlined and followed as historically done in previous fiscal years. It is Management's position that revenues were recognized in a consistent manner with prior audits. While we are managers and facilitators of the reimbursement process agree that proceeds were approved on paper, we also maintain that final recognition requires the approval of the respective grant agency. Speaking in basic terms, we submit paperwork for approval. The approval didn't happen until after fiscal year end. Once approval from the grant agency occurred, then the revenue was considered "real" or "earned" and recognized. Again, speaking basically, Management felt as though we were following the playbook from the previous practices of the long standing successful relationship with previous auditors. That being said, Management recognizes the auditor's position and will put necessary changes in place to ensure compliance.

In summary and to reiterate, because the approval for payment in both examples, was not provided until after the close of the fiscal year, Management believes that the "earned" principal was met once FDEM and DEP approved the deliverables for reimbursement.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Town of Sewall's Point, Florida's Response to Findings

The Town's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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 Town'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, Riggs & Ingram, L.L.C.*

Melbourne, Florida

January 20, 2022

## **INDEPENDENT AUDITORS' MANAGEMENT LETTER**

Honorable Mayor and  
Members of the Town Commission  
Town of Sewall's Point, Florida

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

We have audited the financial statements of the Town of Sewall's Point, Florida as of and for the fiscal year ended September 30, 2021 and have issued our report thereon dated January 20, 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 Accountants' 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 January 20, 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 financial audit report. There were no recommendations made in the preceding annual financial report.

## **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the Town of Sewall's Point, Florida is disclosed in the notes to the financial statements. There are no component units of the Town.

## **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 Town of Sewall's Point, Florida 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 Town of Sewall's Point, Florida 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 Town of Sewall's Point, Florida. It is management's responsibility to monitor the Town of Sewall's Point, Florida'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 the recommendations listed below.

### **2021-003      Review of Payroll Information being Inputted Correctly**

**Criteria:** There should be evidence of a year-end review of payroll information, such as updated pay rates against what was authorized.

**Condition:** There was no evidence that the Town Manager performed a year-end review of payroll information in accordance with Town Policy. We did not find any discrepancies in actual payroll expense in our testing.

**Cause:** Due to the size of the Town, the process for reviewing payroll information for year-end is informal. There was no documentation of any samples of payroll information reviewed by the Town Manager.

**Potential Effect:** A review of the information could be missed as there is no evidence of the review occurring.

**Recommendation:** We recommend more documentation of a year-end payroll review and further review by the Town Manager should an issue arise.

**Management's Response:** Bi-weekly payroll is prepared by the Finance Director, reviewed by the Town Assistant and approved by the Town Manager. Three separate reviews of payroll occur with every pay period. This increased cadence and separation of duties, over and above previous practices, occurred upon the arrival of new Managers in 2019 in response to that year's audit findings. The new best practice suggested is to insert another annual method of review to ensure the hourly rates and salary details are entered accurately. This did occur starting mid-calendar year 2021. While the request is for an additional annual review, Management intends to review this process at the beginning of the fiscal year and again at the end of the fiscal year. Increases in wages do not occur across the board at fiscal year-end, but rather, at each anniversary for sworn personnel and as approved by the Commission and Town Manager for support staff, hence the multiple year review. Since Management already conducts one review at the beginning of the fiscal year, this will be an addition of the year-end review as a close loop.

For additional context, on July 7, 2021, by email, the Town Manager directed the Town Assistant to begin the annual review of personnel records, as outlined by the Town Finance Procedure Manual. Management believes that the review and approval of payrolls dated 10/8/2021 and 10/22/2021, as well as each subsequent payroll, satisfy the request of the one year-end payroll review. Based on the recommendations provided, the Town Manager will perform a second review of the year-end payroll, and document accordingly.

#### **2021-004      Duplication of Journal Entries During Accounting Software Change**

**Criteria:** The City should ensure that entries into the accounting system have proper support and are recorded in the period to which they apply.

**Condition:** Duplicate entries were recorded in the general ledger for accounts payable and building permit revenue.

**Cause:** Upon switching accounting systems on April 1, 2021, a check that had cleared the bank in March 2021 had been recorded in BS&A (new system) and then also recorded in QuickBooks. Additionally, in the first month of using BS&A, a duplicate entry related to building permit fees was entered via a general journal entry for the same transaction that had been recorded in the cash receipts journal.

**Potential Effect:** Accounts Payable was understated, and revenue was overstated.

**Recommendation:** Management should continue to limit the general journals for transactions that are typically recorded through the cash receipts module as has been the practice subsequent to the initial transition period.

**Management's Response:** Management agrees with the recommendation and has implemented this practice after conversion was completed. Having the software fully functional and operational removes this condition from future occurrence.

### **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 Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Town Commission, 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

January 20, 2022



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

Honorable Mayor and  
Members of the Town Commission  
Town of Sewall's Point, Florida

We have examined the Town of Sewall's Point, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2021. Management of the Town of Sewall's Point, Florida is responsible for the Town of Sewall's Point, Florida's compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Sewall's Point, Florida'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 Town of Sewall's Point, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town of Sewall's Point, Florida 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 Town of Sewall's Point, Florida's compliance with specified requirements.

In our opinion, the Town of Sewall's Point, Florida 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  
January 20, 2022