



Town of Sewall's Point, Florida

FINANCIAL STATEMENTS

Year Ended September 30, 2022



INTRODUCTORY SECTION

| | |
|-------------------------|---|
| Title Page | 1 |
| Table of Contents | 2 |
| Town Officials | 3 |

FINANCIAL SECTION

| | |
|--|---|
| Independent Auditors' Report | 5 |
| Management's Discussion and Analysis | 9 |

BASIC FINANCIAL STATEMENTS

| | |
|---|----|
| Government-wide Financial Statements: | |
| Statement of Net Position | 15 |
| Statement of Activities..... | 16 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds..... | 18 |
| Reconciliation of Fund Balance of Governmental Funds to Net Position of Governmental Activities..... | 19 |
| Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Funds..... | 20 |
| Reconciliation of Net Change in Fund Balance of Governmental Funds to Change in Net Position of Governmental Activities..... | 21 |
| Notes to Financial Statements | 23 |

REQUIRED SUPPLEMENTARY INFORMATION

| | |
|---|----|
| Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual: General Fund..... | 39 |
| Notes to Budget..... | 40 |

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 | 43 |
| Independent Auditors' Management Letter | 47 |
| Independent Accountants' Report on Compliance with Local Government Investment Policies | 51 |

Town of Sewall's Point, Florida
Town Officials
As of September 30, 2022

John Tompeck
Mayor

Dave Kurzman
Vice-Mayor

James Campo
Frank Fender
Kaija Mayfield
Commission Members

Robert Daniels
Town Manager

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Sewall's Point, Florida, (the "Town") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Sewall's Point, Florida as of September 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Sewall's Point internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sewall's Point ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2023, 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

June 5, 2023

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Town of Sewall's Point, Florida Management's Discussion and Analysis September 30, 2022

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, 2022, 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 total assets of the Town of Sewall's Point exceeded its liabilities on September 30, 2022 by \$10,137,493 (*total net position*). Of this amount, \$3,745,907 are unrestricted funds, \$436,652 are restricted and \$5,954,934 or 58.7% is invested in capital assets.
- The Town's operations increased net position by \$2,472,106.
- At the close of the fiscal year, the Town's governmental funds reported a combined fund balance of \$3,998,586, an increase of \$1,913,678 in comparison to prior year. The governmental funds reflect \$277 in non-spendable, \$436,652 in restricted and \$1,500,000 in assigned fund balances, leaving an unassigned fund balance of \$2,061,657.

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 maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and two special revenue funds. The General Fund and Capital Project funds are considered major funds.

Town of Sewall's Point, Florida
Management's Discussion and Analysis
September 30, 2022

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 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.

In 2022, the Town adopted an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. In 2023, the Town adopted an annual appropriated budget for its General Fund, Capital Project Fund and Building Permit Fund.

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 | |
| | 2022 | 2021 |
| Assets | | |
| Current and other assets | \$ 5,176,714 | \$ 3,244,856 |
| Capital assets, net | 5,954,934 | 5,611,535 |
| Total assets | 11,131,648 | 8,856,391 |
| Liabilities | | |
| Long-term liabilities outstanding | 61,706 | 61,581 |
| Other liabilities | 932,449 | 1,129,153 |
| Total liabilities | 994,155 | 1,190,734 |
| Net position | | |
| Net investment in capital assets | 5,954,934 | 5,359,504 |
| Restricted | 436,652 | - |
| Unrestricted | 3,745,907 | 2,305,883 |
| Total net position | \$ 10,137,493 | \$ 7,665,387 |

Town of Sewall's Point, Florida
Management's Discussion and Analysis
September 30, 2022

Capital assets increased by \$343,399. A majority of new assets or \$323,582, were equipment purchases. The completion of infrastructure and resiliency projects related to South Sewall's Point Road for approximately \$3.8 million were moved from construction in progress. Total liabilities decreased by \$196,579 due primarily to a reduction in unearned revenue.

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

| | Change in Net Position | |
|------------------------|-------------------------|---------------------|
| | Governmental Activities | |
| | 2022 | 2021 |
| Program revenues: | | |
| Charges for services | \$ 1,315,232 | \$ 828,713 |
| Operating grants | 557,450 | - |
| Capital grants | 815,375 | 1,884,093 |
| General revenues: | | |
| Property taxes | 2,323,659 | 1,983,914 |
| Franchise taxes | 262,454 | 233,298 |
| Sales and use taxes | 298,003 | 272,130 |
| State revenue sharing | 295,946 | 281,381 |
| Investment earnings | 10,755 | 4,381 |
| Other revenue | 9,723 | 52,305 |
| Total revenues | 5,888,597 | 5,540,215 |
| Expenses: | | |
| General government | 688,247 | 1,126,361 |
| Public safety | 1,773,651 | 1,637,328 |
| Physical environment | 954,593 | 380,939 |
| Total expenses | 3,416,491 | 3,144,628 |
| Change in net position | 2,472,106 | 2,395,587 |
| Net position: | | |
| Beginning of year | 7,665,387 | 5,269,800 |
| End of year | \$ 10,137,493 | \$ 7,665,387 |

Governmental activities increased the Town's net position by \$2,472,106. Total revenues increased by \$348,382. Property tax revenue increased by \$339,745 (17.1 percent) from the previous year. This increase is a result of increases in property values. Other tax revenue increased by \$55,029 (10.9 percent) as a result of an increase in franchise fees and sales tax revenue. Expenses increased by \$271,863 (8.6 percent) mainly in Physical environment (\$573,654) and Public Safety (\$136,323) offset by a decrease in General government.

Financial analysis of the governmental funds

Governmental Funds. 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

Town of Sewall's Point, Florida
Management's Discussion and Analysis
September 30, 2022

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.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,998,586, a total increase of \$1,913,678 from the prior year; of which an increase of \$204,634 is attributable to the General Fund, an increase of \$1,272,392 is attributable to the Capital Projects Fund and an increase of \$436,652 is attributable to the Building Permit Fund.

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. The budget was amended to create a Building Permit special revenue fund and a capital project fund. The budget was also amended in anticipation of the start of another phase of the South Sewall's Road project.

See the Budgetary Comparison Schedule for the General Fund on page 39 for more details.

Capital Assets

The Town's capital assets for its governmental activities as of September 30, 2022 amounted to \$5,954,934 (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 40.9% 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

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

| <i>September 30, 2022</i> | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 3,523,736 |
| Investments | 1,255,248 |
| Receivables, net | 59,988 |
| Prepaid items | 277 |
| Due from other governments | 337,465 |
| Capital assets | |
| Non-depreciable | 776,435 |
| Depreciable, net | 5,178,499 |
| Total assets | 11,131,648 |
| Liabilities | |
| Accounts payable | 290,477 |
| Accrued payroll and related liabilities | 51,520 |
| Unearned revenue | 590,452 |
| Non-current liabilities | |
| Due within one year | |
| Compensated absences | 24,682 |
| Due in more than one year | |
| Compensated absences | 37,024 |
| Total liabilities | 994,155 |
| Net Position | |
| Net investment in capital assets | 5,954,934 |
| Restricted for Public Safety | 436,652 |
| Unrestricted | 3,745,907 |
| Total net position | \$ 10,137,493 |

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, 2022

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------------|---------------------|--------------------------------|------------------------------------|----------------------------------|
| | | Charges for Services and Fines | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities | | | | |
| General government | \$ 688,247 | \$ 1,267,206 | \$ - | \$ - |
| Public safety | 1,773,651 | 48,026 | 557,450 | - |
| Physical environment | 954,593 | - | - | 815,375 |
| Total governmental activities | \$ 3,416,491 | \$ 1,315,232 | 557,450 | \$ 815,375 |

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

\$ 578,959
(1,168,175)
(139,218)

(728,434)

2,323,659

262,454

298,003

295,946

10,755

9,723

3,200,540

2,472,106

7,665,387

\$ 10,137,493

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

Town of Sewall's Point, Florida
Balance Sheet
Governmental Funds

| <i>September 30, 2022</i> | General | Capital Project | Nonmajor Fund - Building | Total |
|--|---------------------|---------------------|--------------------------------|---------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 1,784,109 | \$ 1,302,975 | \$ 436,652 | \$ 3,523,736 |
| Investments | 1,255,248 | - | - | 1,255,248 |
| Accounts receivable | 59,988 | - | - | 59,988 |
| Due from other governments | 337,465 | - | - | 337,465 |
| Prepaid items | 277 | - | - | 277 |
| Total assets | \$ 3,437,087 | \$ 1,302,975 | \$ 436,652 | \$ 5,176,714 |
| Liabilities, deferred inflows of resources and fund balance | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 290,477 | \$ - | \$ - | \$ 290,477 |
| Accrued payroll and related liabilities | 51,520 | - | - | 51,520 |
| Unearned revenue | 559,869 | 30,583 | - | 590,452 |
| Total liabilities | 901,866 | 30,583 | - | 932,449 |
| Deferred inflows of resources | | | | |
| Unavailable revenue | 245,679 | - | - | 245,679 |
| Total deferred inflows of resources | 245,679 | - | - | 245,679 |
| Fund balances | | | | |
| Nonspendable | | | | |
| Prepaid items | 277 | - | - | 277 |
| Restricted | - | - | 436,652 | 436,652 |
| Assigned | 1,500,000 | - | - | 1,500,000 |
| Unassigned | 789,265 | 1,272,392 | - | 2,061,657 |
| Total fund balances | 2,289,542 | 1,272,392 | 436,652 | 3,998,586 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 3,437,087 | \$ 1,302,975 | \$ 436,652 | \$ 5,176,714 |

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

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

September 30, 2022

Total fund balances - governmental funds \$ 3,998,586

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 | \$ 7,856,488 | |
| Less accumulated depreciation and amortization | (1,901,554) | 5,954,934 |

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.

245,679

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

(61,706)

| | |
|---|---------------|
| Net position of governmental activities | \$ 10,137,493 |
|---|---------------|

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

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

| <i>For the year ended September 30, 2022</i> | General | Capital Projects | Nonmajor fund - Building | TOTAL |
|--|---------------------|---------------------|--------------------------------|---------------------|
| Revenues | | | | |
| Taxes | \$ 2,323,659 | \$ - | \$ - | \$ 2,323,659 |
| Franchise fees/taxes | 211,038 | - | - | 211,038 |
| Licenses and permits | 1,226,357 | - | - | 1,226,357 |
| Intergovernmental | 1,803,036 | - | - | 1,803,036 |
| Fines and forfeitures | 48,026 | - | - | 48,026 |
| Interest and other | 10,755 | - | - | 10,755 |
| Miscellaneous revenue | 50,572 | - | - | 50,572 |
| Total revenues | 5,673,443 | - | - | 5,673,443 |
| Expenditures | | | | |
| Current | | | | |
| General government | 1,124,198 | - | - | 1,124,198 |
| Public safety | 1,693,954 | - | - | 1,693,954 |
| Physical environment | 941,613 | - | - | 941,613 |
| Total expenditures | 3,759,765 | - | - | 3,759,765 |
| Excess (deficiency) of revenues over (under) expenditures | 1,913,678 | - | - | 1,913,678 |
| Other financing sources (uses) | | | | |
| Transfer in | - | 1,272,392 | 436,652 | 1,709,044 |
| Transfer out | (1,709,044) | - | - | (1,709,044) |
| Total other financing sources (uses) | (1,709,044) | 1,272,392 | 436,652 | - |
| Net change in fund balance | 204,634 | 1,272,392 | 436,652 | 1,913,678 |
| Fund balances, beginning of year | 2,084,908 | - | - | 2,084,908 |
| Fund balances, end of year | \$ 2,289,542 | \$ 1,272,392 | \$ 436,652 | \$ 3,998,586 |

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

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

| <i>For the year ended September 30,</i> | 2022 |
|--|--------------|
| Net change in fund balances - total governmental funds | \$ 1,913,678 |
| 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 \$610,890 exceeds depreciation expense of \$238,377 in the current period. | 372,513 |
| In the statement of activities, only the gain or loss on the sale of capital assets are reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the capital assets sold or disposed. | (29,114) |
| 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. | 215,154 |
| 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. | (125) |
| Change in net position of governmental activities | \$ 2,472,106 |

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

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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, 2022.

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 funds:

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

The *Capital Project Fund* is the Town's accounts for acquisition or construction of major capital facilities.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The Town reports the following non major fund:

The *Building Fund* is a special revenue fund. It accounts for the activity of the building department.

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 for the Town are reported at fair value except for the position in the State Treasurer's Investment Pool. The state Treasurer's Investment Pool meets all of the specific criteria in Section 150: *Investments* to qualify to elect to measure their investments at amortized costs. Accordingly the value of the Town's position in the pool is equal to the value of pooled shares.

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.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets (Continued)

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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| 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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Net position flow assumption – Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide 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 – net position to have been depleted before unrestricted – net position is applied.

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

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)

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 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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses (Continued)

includes the County and the County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2022 was 2.8700 mills (\$2.8700 per \$1,000 of taxable assessed valuation), and .4 mills for capital purposes.

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.

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, June 5, 2023. See Note 6. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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:

GASB Statement No. 100, *Accounting Changes and Error Corrections*, This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information

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 (Continued)

(SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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, 2022, \$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, 2022, the Town had \$1,255,248 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

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and investments (Continued)

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, 2022, 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.

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).

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and investments (Continued)

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.
- 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, 2022:

Investments excluded from fair value hierarchy

| Investment type | Fair Value | Weighted Average to Maturity (WAM) | Rating | Agency |
|---------------------|--------------|---------------------------------------|--------|--------|
| SBA (Florida PRIME) | \$ 1,255,248 | 28 days | AAAm | S&P |
| Total | \$ 1,255,248 | | | |

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, 2022, were as follows.

| | Accounts Receivable | Franchise Fees Receivable | Allowance for Uncollectible Accounts | Net |
|--------------|------------------------|------------------------------|--|-----------|
| General Fund | \$ 13,050 | \$ 46,938 | \$ - | \$ 59,988 |
| Total | \$ 13,050 | \$ 46,938 | \$ - | \$ 59,988 |

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, 2022.

**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, 2022.

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|----------------|-------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 604,382 | \$ - | \$ - | \$ 604,382 |
| Construction-in-progress | 3,699,042 | - | (3,526,989) | 172,053 |
| Capital assets, not being depreciated | 4,303,424 | - | (3,526,989) | 776,435 |
| Capital assets, being depreciated | | | | |
| Buildings | 411,010 | 7,508 | - | 418,518 |
| Other improvements | 261,518 | - | (29,114) | 232,404 |
| Equipment | 533,987 | 323,582 | - | 857,569 |
| Infrastructure | 1,764,773 | 3,806,789 | - | 5,571,562 |
| Capital assets, being depreciated | 2,971,288 | 4,137,879 | (29,114) | 7,080,053 |
| Less accumulated depreciation for | | | | |
| Buildings | (320,075) | (85,298) | - | (405,373) |
| Other improvements | (65,574) | (29,840) | - | (95,414) |
| Equipment | (352,369) | (63,678) | - | (416,047) |
| Infrastructure | (925,159) | (59,561) | - | (984,720) |
| Total accumulated depreciation | (1,663,177) | (238,377) | - | (1,901,554) |
| Total capital assets being depreciated, net | 1,308,111 | 3,899,502 | - | 5,178,499 |
| Governmental activities capital assets, net | \$ 5,611,535 | \$ 3,899,502 | \$ (3,556,103) | \$ 5,954,934 |

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

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (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>2022</u> |
|--|-------------------|
| Governmental activities | |
| General government | \$ 14,786 |
| Public safety | 48,892 |
| Physical environment | 174,699 |
| <hr/> | |
| Total depreciation expense - governmental activities | <u>\$ 238,377</u> |

Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2022 was as follows for governmental activities:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-----------|-------------|-------------------|------------------------|
| Governmental activities | | | | | |
| Compensated absences | \$ 61,581 | \$ 52,778 | \$ (52,653) | \$ 61,706 | \$ 24,682 |
| <hr/> | | | | | |
| Governmental activity long-term liabilities | \$ 61,581 | \$ 52,778 | \$ (52,653) | \$ 61,706 | \$ 24,682 |

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.

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

Note 3: RETIREMENT PLAN (Continued)

Defined Contribution Pension Plan (Continued)

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, 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, 2022, the Town contributed \$46,229 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, 2022.

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.

Note 5: COMMITMENTS

The Town has an inter-local agreement 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 \$532,784 for the year ended September 30, 2022. 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, 2022:

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

Note 5: COMMITMENTS (Continued)

| <i>For the year ended September 30:</i> | Amount |
|---|---------------------|
| 2023 | \$ 548,767 |
| 2024 | 565,231 |
| 2025 | 763,061 |
| 2026 | 785,953 |
| 2027 | 809,532 |
| Thereafter | 1,692,650 |
| Total | \$ 5,165,194 |

Note 6: SUBSEQUENT EVENTS

On November 29, 2022, Town Council approved Resolution No. 951, authorizing the issuance of a Public Improvement Revenue Note, Series 2022, not to exceed \$2,000,000 in aggregate principal to purchase the property at 78 S. Sewall's Point Road.

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

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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, 2022</i> | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| Revenues | | | | |
| Taxes | \$ 2,534,775 | \$ 2,285,775 | \$ 2,323,659 | \$ 37,884 |
| Franchise fees/taxes | 190,000 | 190,000 | 211,038 | 21,038 |
| Licenses and permits | 497,500 | 502,500 | 1,226,357 | 723,857 |
| Intergovernmental | 271,000 | 1,775,046 | 1,803,036 | 27,990 |
| Fines and forfeitures | 34,500 | 34,500 | 48,026 | 13,526 |
| Investment earnings | 5,000 | 5,000 | 10,755 | 5,755 |
| Miscellaneous | 21,000 | 154,000 | 50,572 | (103,428) |
| Total revenues | 3,553,775 | 4,946,821 | 5,673,443 | 726,622 |
| Expenditures | | | | |
| Category | | | | |
| Administrative | | | | |
| General government | 1,089,770 | 963,370 | 1,124,198 | (160,828) |
| Public safety | 1,763,805 | 1,886,305 | 1,693,954 | 192,351 |
| Physical environment | 370,200 | 1,311,050 | 941,613 | 369,437 |
| Total expenditures | 3,223,775 | 4,160,725 | 3,759,765 | 400,960 |
| Net change in fund balance | 330,000 | 786,096 | 1,913,678 | 325,662 |
| Transfer out | - | (1,719,979) | (1,709,044) | (10,935) |
| Fund balance, beginning of the year | 2,084,908 | 2,084,908 | 2,084,908 | - |
| Fund balance, end of year | \$ 2,414,908 | \$ 1,151,025 | \$ 2,289,542 | \$ 314,727 |

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.

**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**

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, each major fund and the aggregate remaining fund information of the Town of Sewall's Point, Florida (the "Town"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 5, 2023.

Report on 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 a certain deficiency in internal control, 2022-001 that we consider to be a material weaknesses.

MW 2022-001 Recording Revenue/Receivable

Condition: Receivables for fiscal year 2022 were not recorded in the current year for approximately \$309,000. Revenue was understated by approximately \$64,000, and deferred inflows of resources were understated by approximately \$245,000.

Criteria: Receivables should be recorded in the general ledger once the revenue has been earned (typically when the funds are expensed for reimbursement-based grants).

Cause of condition: Revenue for grants are not recorded until the cash was received. There was a transition in finance personnel during the year, and without any cash receipts for the grant, the new personnel were unaware the grant existed. In addition, franchise fees and other intergovernmental revenues were missing the second month of receivables.

Potential effect of condition: Receivables, deferred inflows, and revenue were understated.

Recommendation: Management should review amounts available for reimbursement at year end that have not been received and record the receivable and corresponding revenue or deferred inflow.

Management's Response: During 2022, there were a significant number of management changes which left the Town with a knowledge gap. The Town has hired a Finance Director who will manage and track revenue, expenditures and grant activity.

Report on 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

Government Auditing Standard's requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described above. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

June 5, 2023

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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, 2022 and have issued our report thereon dated June 5, 2023.

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 June 5, 2023, 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. The status of each finding and recommendation made in the preceding annual financial audit report, is noted below:

| 2021 No. | Description | Status | 2022 No. |
|-------------|--|------------------|----------|
| MW 2021-001 | Recording Fixed Assets | Cleared | |
| MW 2021-002 | Recording Grant Receivable | Revised/Repeated | 2022-001 |
| 2021-003 | Review of Payroll Information being Inputted Correctly | Cleared | |
| 2021-004 | Duplication of Journal Entries during Accounting Software Change | Cleared | |

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 recommendation listed below.

2022-002 Journal Entry Review

Criteria: There should be evidence of journal entries reviewed by someone other than preparer to ensure proper segregation of duties.

Condition: There was no evidence that several journal entries were reviewed prior to being posted.

Cause: Journal entries were prepared and entered without another person reviewing them. During the transition of personnel, there was not always another individual available to review the journal entry.

Potential Effect: There is potential for errors or irregularities to occur and not be identified in a timely manner.

Recommendation: The Town should implement procedures to ensure all journal entries are reviewed by someone other than the preparer, the review is performed in sufficient detail to identify and correct a material error, and there is sufficient evidence retained to determine the review occurred.

Management's Response: During management transitions, limited knowledgeable staff were available to ensure a segregation of duties for preparing and posting journal entries. The Town has taken steps to ensure enhanced internal controls when management gaps occur. A full-time Finance Director was hired at the beginning of fiscal year 2023. The Fiscal Consultant will continue to provide review of activity to enhance internal controls.

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
June 5, 2023

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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, 2022. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2022.

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
June 5, 2023