



Sebastian Inlet District

FINANCIAL STATEMENTS

Year Ended September 30, 2019



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Sebastian Inlet District, Florida
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As of September 30, 2019

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**Sebastian Inlet District, Florida
District Commissioners
As of September 30, 2019**

District Commissioners

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Sebastian Inlet District, Florida, (the "District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Sebastian Inlet District, Florida as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the required budgetary comparison information and the pension and other postemployment benefits supplementary information on pages 7-11 and pages 42-46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Caru, Riggs & Ingram, L.L.C.

Melbourne, Florida
February 26, 2020

Sebastian Inlet District, Florida Management's Discussion and Analysis

Our discussion and analysis of the Sebastian Inlet District, Florida's (the "District") financial performance, provides an overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the District's basic financial statements, which immediately follow this discussion.

FINANCIAL HIGHLIGHTS

The following are highlights of financial activity for the year ended September 30, 2019:

- The District's total assets and deferred outflows exceeded its liabilities and deferred inflows at September 30, 2019 by \$13,190,571. Of this amount, \$11,628,171 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased \$420,786; a decrease of approximately 3% from the previous year's ending balance. The net decrease can be explained primarily by the year's increased Physical Environment expenses (\$3,990,010) related to the sand trap dredging and beach placement project. Total expenses including general operations, channel maintenance, mitigation and monitoring required for permitting and sand transfer studies, as well as expenses related to dredge bypassing and gopher tortoise management amounted to \$4,770,302. The remainder of the reimbursable construction expenses under DEP grant 20IR1 (\$586,260) will be received in FY 19-20.
- As of September 30, 2019, the District's governmental funds reported an ending fund balance of \$11,906,066, a decrease of \$507,561 compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

A. Government-Wide Financial Statements

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

1. The statement of net position presents information on all the District's assets, liabilities and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the District.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

A. Government-Wide Financial Statements (continued)

2. The statement of activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements can be found on pages 15 and 16 of this report.

B. Fund Financial Statements

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

The District has only one fund type: governmental funds.

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

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

The District adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 17 through 19 of this report. The budget comparison can be found on pages 45 through 46.

C. Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 21 through 40 of this report.

Sebastian Inlet District, Florida Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$13,190,571 at the close of the most recent fiscal year. The following table reflects the condensed government-wide statement of net position:

<u>Sebastian Inlet District</u> <u>Statement of Net Position</u>			
		2019	2018
Current and other assets	\$	12,175,037	\$ 12,572,426
Capital assets		1,562,400	1,604,449
Total assets		13,737,437	14,176,875
Deferred outflows		234,933	179,802
Other liabilities		91,738	158,799
Noncurrent liabilities		583,171	461,218
Total liabilities		674, 909	620,017
Deferred inflows		106,890	125,303
Net position:			
Net investment in capital assets		1,562,400	1,604,449
Unrestricted		11,628,171	12,006,908
Total net position	\$	13,190,571	\$ 13,611,357

A decrease of \$439,438 in total assets is attributed primarily to the decrease in cash of \$2,607,601 offset by an increase in due from other governments of \$2,102,946 and an increase in investments of \$92,715. Total liabilities increased by \$54,892. The increase in deferred outflows of \$55,131 and a decrease in deferred inflows of \$18,413 were due to changes in assumptions and differences between projected and actual earnings on pension plan investments, as well as changes in proportion and differences between District pension plan contributions and proportionate share of contributions. Net position decreased \$420,786 primarily as a result of use of funds for the dredge/bypass project.

Governmental Activities

Governmental activities changed the District's net position by \$420,786 and \$601,793 for the years ended September 30, 2019 and 2018, respectively, as reflected in the table below:

Sebastian Inlet District, Florida Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	<u>Sebastian Inlet District</u> <u>Statement of Activities</u>	
	2019	2018
Revenues		
Program revenues:		
Operating grants and contributions	\$ 2,136,728	\$ 96,313
General revenues:		
Property taxes	2,116,278	2,044,193
Unrestricted investment earnings	96,510	51,446
Total revenues	4,349,516	2,191,952
Expenses		
General government	780,292	726,981
Physical environment	3,990,010	863,178
Total expenses	4,770,302	1,590,159
Change in net position	(420,786)	601,793
Net position, beginning of year, as previously stated	13,611,357	13,008,823
Prior period adjustment	-	741*
Net position, beginning of year, restated	13,611,357	13,009,564
Net position, ending	\$ 13,190,571	\$ 13,611,357

* Adjustment for prior year implementation of GASB 75.

For fiscal year 2018-2019, the Sebastian Inlet District adjusted its millage rate to the rolled back rate of 0.0877. The increase of \$2,157,564 in total revenues is a result of an increase in operating grant revenue from the Florida Department of Environmental Protection (FDEP) for the 2018-2019 dredge/bypass project, interest earnings and property tax revenue.

The District is required to perform certain State-mandated projects every three-to-four years. The District estimates how much they will pay out on projects during any given fiscal year due to lengthy permitting processes. Because of this, the District typically budgets for all potential expenditures to ensure they have the funds available for related project costs throughout the year. General governmental expenses increased by \$53,311. Physical environment expenditures increased by \$3,126,832 due to the FDEP-funded 2018-2019 dredge/bypass project.

ANALYSIS OF THE GOVERNMENTAL FUNDS

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

Sebastian Inlet District, Florida Management's Discussion and Analysis

ANALYSIS OF THE GOVERNMENTAL FUNDS (Continued)

As of the end of the most current fiscal year, the District's General Fund reported an ending fund balance of \$11,906,066, a decrease of \$507,561 as compared to the total balance on October 1, 2018. The change in fund balance is a result of the fiscal year's dredge/bypass expenditures exceeding the fiscal year's project revenues resulting in the net loss of \$507,561.

CAPITAL ASSETS

The District's capital assets, less accumulated depreciation and amortization, for its governmental activities as of September 30, 2019 amounts to \$1,562,400, and consists of improvements other than buildings, equipment, and intangible assets. The current year decrease of \$42,049 relates primarily to the depreciation and amortization expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

Intergovernmental revenues from FDEP monitoring and construction agreements (19IR1 and 20IR1) amounted to \$1,959,495. 2019 ad valorem tax revenue received increased compared to the previous year. However, the 2019 tax revenues were \$33,129 less than budgeted due to the uncollected, current year real estate and tangible property levies.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Revenues for the fiscal year 2019-2020 adopted budget for all funds of the District total \$10,473,248, which includes funds carried forward from the previous year, and is a 25% decrease from the prior year's budget. Tax revenues for the fiscal year 2019-2020 adopted budget for the District total \$2,203,248, a 3% increase from the prior year's budgeted tax revenues. The District Commissioners approved the millage rate for the fiscal year 2019-2020 of 0.0831 mills which is the rolled-back rate.

Expenditures for the fiscal year 2019-2020 adopted budget for all funds of the District are projected for the Commission, F&A, Government Fees, Engineering, Sand Transfer System, Sand Trap Dredging, Maintenance of Channel, Storm Management, Monitoring, Jetty Maintenance and Repair, Legal Counsel, Channel Extension, Offshore Projects, Construction, Natural Resource Program, Professional Services and Other Projects.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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Sebastian Inlet District, Florida
Statement of Net Position

<i>September 30, 2019</i>	Primary Government
ASSETS	
Cash and cash equivalents	\$ 3,825,836
Investments	6,229,932
Due from other governments	2,104,718
Prepaid expenses	14,551
Capital assets:	
Depreciable, net of accumulated depreciation / amortization	
Improvements other than buildings	44,141
Equipment	8,112
Intangible assets	1,510,147
Total assets	13,737,437
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pension	234,933
Total deferred outflows of resources	234,933
LIABILITIES	
Accounts payable	91,738
Noncurrent liabilities:	
Due within one year:	
Compensated absences, current portion	20,560
Due in more than one year:	
Compensated absences, less current portion	5,310
Net pension liability	551,835
Net OPEB liability	5,466
Total liabilities	674,909
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - pension	105,834
Deferred inflow - OPEB	1,056
Total deferred inflows of resources	106,890
NET POSITION	
Net investment in capital assets	1,562,400
Unrestricted	11,628,171
Total net position	\$ 13,190,571

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

Sebastian Inlet District, Florida
Statement of Activities

<i>Year ended September 30, 2019</i>					Primary Government
Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
General government	\$ 780,292	\$ -	\$ -	\$ -	\$ (780,292)
Physical environment	3,990,010	-	2,136,728	-	(1,853,282)
Total governmental activities	\$ 4,770,302	\$ -	\$ 2,136,728	\$ -	(2,633,574)
General revenues					
Property taxes					2,116,278
Unrestricted investment earnings					96,510
Total general revenues					2,212,788
Change in net position					(420,786)
Net position, beginning of year, as previously stated					13,611,357
Net position, end of year					\$ 13,190,571

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

Sebastian Inlet District, Florida
Balance Sheet – Governmental Fund

<i>September 30, 2019</i>	General	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 3,825,836	\$ 3,825,836
Investments	6,229,932	6,229,932
Due from other governments	2,104,718	2,104,718
Prepaid expenses	14,551	14,551
Total assets	\$ 12,175,037	\$ 12,175,037
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 91,738	\$ 91,738
Total liabilities	91,738	91,738
DEFERRED INFLOW OF RESOURCES		
Deferred inflow - unavailable grant revenue	177,233	177,233
Total deferred inflows of resources	177,233	177,233
Net position and other credits		
Non-spendable:		
Prepays	14,551	14,551
Fund balances:		
Assigned:		
Legal counsel	113,000	113,000
Engineering	175,000	175,000
Sand transfer system	159,958	159,958
Sand trap dredging	1,892,096	1,892,096
Maintenance of channel	186,391	186,391
Construction programs	670,597	670,597
Subsequent year's budget deficit	8,000,000	8,000,000
Unassigned:	694,473	694,473
Total fund balances	11,906,066	11,906,066
Total liabilities and fund balances	\$ 12,175,037	\$ 12,175,037

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

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

Total fund balance in governmental funds	\$ 12,175,037
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.	1,562,400
Deferred outflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	234,933
Deferred revenue (related to reimbursement for grant funds) is recorded as a liability in the fund statements but is recorded as revenue in governmental activities	177,233
Deferred inflow of resources related to pension earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	(105,834)
Deferred inflow of resources related to OPEB earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	(1,056)
Long-term liabilities, including net OPEB liability, compensated absences and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.	(583,171)
Net position of governmental activities	\$ 13,190,571

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

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

<i>Year ended September 30, 2019</i>	General	Total Governmental Fund
Revenues		
Taxes:		
Brevard County	\$ 1,699,531	\$ 1,699,531
Indian River County	416,747	416,747
Intergovernmental	1,959,495	1,959,495
Interest and other	96,510	96,510
Total revenues	4,172,283	4,172,283
Expenditures		
Current:		
General government	731,434	731,434
Physical environment	3,948,410	3,948,410
Total expenditures	4,679,844	4,679,844
Excess of revenues over expenditures	(507,561)	(507,561)
Fund balance, beginning of year	12,413,627	12,413,627
Fund balance, end of year	\$ 11,906,066	\$ 11,906,066

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

Sebastian Inlet District, Florida

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

Year ended September 30, 2019

Net change in fund balances - total governmental funds	\$ (507,561)
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 of depreciation expense in the current period.	(42,049)
Deferred revenue (related to reimbursement for grant funds) is recorded as a liability in the fund statements but is recorded as revenue in governmental activities	177,233
Other post-employment benefit liability is reported in the statement of activities when it is estimated to be earned. As it does not require the use of current financial resources, it is not reported as an expenditure in governmental funds until paid. This is the amount of other post-employment benefit liability reported in the statement of activities in the prior year that was paid in the current year.	1,751
Cash pension contributions reported in the funds were greater than the calculated pension expense on the statement of activities and therefore increased net position.	(83,699)
Compensated absences previously reported in the statement of activities used current financial resources and therefore, are reported as expenditures in governmental funds.	33,539
Change in net position of governmental activities	\$ (420,786)

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

Sebastian Inlet District, Florida Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all activities of the primary government. *Governmental activities* are those which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental fund. The major individual governmental fund is reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

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.



Sebastian Inlet District, Florida Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

The *general fund* is the government's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as *program revenues* include 1) charges for services, 2) operating grants and contributions, and 3) and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Equity

1. Cash and cash equivalents

Cash and cash equivalents represents all investments that are short term, highly liquid, and readily convertible to a specified cash value. These investments generally have original maturities of three months or less. Cash equivalents consist of cash in banks and on hand.

2. Investments

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

3. Due from other governments

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

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Improvements other than buildings	5-20
Equipment	5-10
Office furniture	5-10
Intangible assets - land easement and improvements	50

6. Deferred outflows / inflows of resources

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with Section P20: *Pension Activities* of the GASB Codification.

The deferred inflows related to other post-employment benefits are calculated in accordance with Section P52: *Other Post-employment Benefits of the GASB Codification*.

The deferred inflows related to unavailable grant revenue are for amounts earned, but funds were not received within the period of availability.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

7. *Compensated absences*

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured, for example, as a result of employee resignations and retirements.

8. *Long-term obligations*

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

9. *Fund equity*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance – Amounts that are inherently not spendable because of their form (such as inventory) and/or that cannot convert or are not readily convertible to cash (such as prepaid assets).

Assigned Fund Balance – Amounts that the Executive Director has identified to be used for a specific purpose and any deficit budgeted for the next fiscal year.

Unassigned Fund Balance – The remaining portion of fund balance which is spendable and not obligated or specifically designated, and thus, available for any purpose.

10. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from management’s estimates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Equity (continued)

11. Defined Benefit Pension Plans

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

12. Other Post-employment Benefits

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

As permitted by Section 2400, *Budgetary Reporting*, the District has elected to disclose all budgetary information in the notes to the required supplementary information on page 45.

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation states that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds". The details of this \$(583,171) difference are as follows:

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position (continued)

Compensated absences	\$	(25,870)
Net pension liability		(551,835)
Net OPEB liability		(5,466)
<hr/>		
Net adjustment to reduce <i>fund balance - total governmental funds to arrive at net position-governmental activities</i>	\$	(583,171)
<hr/>		

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. Deposits

At September 30, 2019, the District's carrying amount of deposits was \$3,825,736 and the bank balance was \$3,848,521. In addition, the District maintained \$100 of petty cash. As of September 30, 2019, \$250,000 of the District's bank balances is covered by the Federal Depository Insurance Corporation (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the District pursuant to Section 280.08, Florida Statutes.

B. Investments

As of September 30, 2019, the District had the following investments and effective duration presented in terms of years:

Investment Type	Credit Rating	Cost plus Accrued Interest	Investment Maturity (Year)		
			Less than 1	From 1-5	Over 6
Government-wide					
Certificates of Deposit	Unrated	6,229,932	\$ 6,229,932	\$ -	\$ -

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

Interest Rate Risk

The District's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. This policy is pursuant to Florida State Statute 218.415(6).

Credit Risk

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

Custodial Credit Risk

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

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

As of September 30, 2019, the District's investments were held with a third-party custodian as required by the District's investment policies.

C. Property Taxes

The millage rate levied by the District for the fiscal year ended September 30, 2019, was 0.0877 mills. Tax collections for the District were approximately 97% of the total tax levy.

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

The District is permitted to levy ad valorem taxes on assessed valuation by State law. However, Chapter 74-430, Laws of Florida, a special act applicable only to governmental units in Brevard County, limits the annual increase to 10% of tax revenues of the preceding year (exclusive of new construction and improvements not appearing in the previous year's tax roll) without voter approval by referendum.

Lien date	-	January 1
Levy date	-	Prior to September 30
Due date	-	November 1
Delinquent date	-	April 1

All property taxes remaining unpaid at May 30 are subject to a tax certificate sale by the Tax Collector.

D. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated/amortized:				
Improvements other than buildings	\$ 79,852	\$ -	\$ -	\$ 79,852
Equipment	83,528	-	-	83,528
Intangible assets – land easement and improvements	1,834,874	-	-	1,834,874
Total capital assets being depreciated/amortized	1,998,254	-	-	1,998,254
Less accumulated depreciation/amortization for:				
Improvements other than buildings	(34,565)	(1,146)	-	(35,711)
Equipment	(72,231)	(3,185)	-	(75,416)
Intangible assets – land easement and improvements	(287,009)	(37,718)	-	(324,727)
Total accumulated depreciation/amortization	(393,805)	(42,049)	-	(435,854)
Total capital assets, being depreciated/amortized, net	1,604,449	(42,049)	-	1,562,400
Governmental activities capital assets, net	\$ 1,604,449	\$ (42,049)	\$ -	\$ 1,562,400

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

Governmental activities:	
General government	\$ 449
Physical environment	41,600
Total depreciation and amortization expense - governmental activities	\$ 42,049

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

E. Changes in Long-Term Liabilities

Long-term liabilities for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 59,409	\$ 21,995	\$ (55,534)	\$ 25,870	\$ 20,560
Pension obligation	395,283	-	156,552	551,835	-
Net OPEB liability	6,526	-	(1,060)	5,466	-
Long-term liabilities	\$ 461,218	\$ 21,995	\$ 99,958	\$ 583,171	\$ 20,560

For the governmental activities, the other liability and compensated absences are generally liquidated by the general fund.

F. Operating Leases

The District's office facilities are leased under a three-year, operating lease which expires on August 31, 2022. The District leases office equipment under an operating lease which expires on December 15, 2023. The District also leases a boat slip under an operating lease which expires on August 31, 2020.

Minimum future rental payments under the non-cancelable operating leases as of September 30, 2019, are as follows:

Years ending September 30,	
2020	\$ 23,521
2021	\$ 20,257
2022	\$ 19,032
2023	\$ 2,532
2024	\$ 844
Total minimum lease payments	\$ 66,186

Total rent expense charged to operations in 2019 was \$23,270.

G. Self-Insurance Program

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

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

G. Self-Insurance Program (continued)

The self-insurance program purchases excess and specific coverage from third party insurance carriers. Members in the program are billed quarterly for their portion of the cost of the program. Members are not assessed for unanticipated losses incurred by the program. Premiums paid by the District during the year totaled \$12,271. In the past three years, there have been no claims settled exceeding the District's coverage. As of September 30, 2019, there are no outstanding claims.

H. Pension Plan

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

Any full-time employee of the District who has attained age 21 and is employed by the District is eligible to participate in the pension plan of the District. Pension costs are comprised of current service costs, which are accrued and funded on a current basis. The contribution rate is equal to the difference between the Florida Retirement System ("FRS") contribution rate and 15% of eligible employee salaries, for a total contribution of 15% between the two plans. The 15% benefit is paid by the District. The 15% is split into a contribution to the FRS plan for the amount invoiced by the State. The remaining difference is sent to the SEP plan. Total eligible payroll for all employees was \$344,641 and all were covered by the plan at year end. For the year ended September 30, 2019, the District contributed \$15,883 to the SEP.

I. State of Florida Pension Plans

Defined Benefit Plans

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

The Florida Retirement System ("FRS") Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program ("DROP") available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

I. State of Florida Pension Plans (continued)

Defined Benefit Plans (continued)

membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

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

Benefits Provided

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

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

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer’s contribution rates as of September 30, 2019, were as follows:

	FRS	HIS
Regular class	6.81%	1.66%
Special risk class	23.82%	1.66%
Senior management service class	23.75%	1.66%
Elected officials	47.16%	1.66%
DROP from FRS	12.94%	1.66%

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

I. State of Florida Pension Plans (continued)

Defined Benefit Plans (continued)

Contributions (continued)

The employer's contributions for the year ended September 30, 2019, were \$41,493 to the FRS Pension Plan and \$5,395 to the HIS Program.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2019, the District reported a liability for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program. The net pension liabilities were measured as of June 30, 2019. The District's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

		FRS		HIS
Net Pension Liability	\$	441,168	\$	110,667
Proportion at:				
Current measurement date		0.0013%		0.0010%
Prior measurement date		0.0010%		0.0009%
Pension expense	\$	120,462	\$	10,149

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 26,167	\$ (274)	\$ 1,344	\$ (136)
Change of assumptions	113,311	-	12,815	(9,045)
Net difference between projected and actual earnings on pension plan investments	-	(24,480)	71	-
Changes in proportion and differences between District pension plan contributions and proportionate share of contributions	56,235	(65,953)	14,240	(5,946)
District pension plan contribution subsequent to the measurement date	9,533	-	1,217	-
Total	\$ 205,246	\$ (90,707)	\$ 29,687	\$ (15,127)

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

I. State of Florida Pension Plans (continued)

Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer’s fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2019. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending September 30:	FRS		HIS	
2019	\$	38,081	\$	5,686
2020		11,488		4,551
2021		27,756		2,491
2022		20,938		(1,809)
2023		5,400		329
Thereafter		1,343		2,095
Total	\$	105,006	\$	13,343

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2019. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2019. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2018, rolled-forward using standard actuarial procedures. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	6.90%	N/A
Discount rate	6.90%	3.50%

Mortality assumptions for the FRS Pension Plan was based on the PUB-2010 with projected generations with scale MP-2018.

Mortality assumptions for HIS Pension Plan was based on the Generational RP-2000 with Projection Scale BB.

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

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

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

I. State of Florida Pension Plans (continued)

Actuarial Assumptions (continued)

The following changes in key actuarial assumptions occurred in 2019:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.00% to 6.90%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.87% to 3.50%.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.3%	3.3%
Fixed income	18%	4.1%	4.1%
Global equity	54%	8.0%	6.8%
Real estate	11%	6.7%	6.1%
Private equity	10%	11.2%	8.4%
Strategic investments	6%	5.9%	5.7%
Total	100%		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.90%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.50% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

I. State of Florida Pension Plans (continued)

Sensitivity Analysis

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

	FRS			HIS		
	Current Discount			Current Discount		
	1% Decrease	Rate	1% Increase	1% Decrease	Rate	1% Increase
September 30, 2019	5.90%	6.90%	7.90%	2.50%	3.50%	4.50%
District's proportionate share of the net pension liability	\$ 762,633	\$ 441,168	\$ 172,691	\$ 126,332	\$ 110,667	\$ 97,620

Pension Plans’ Fiduciary Net Position

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

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (“FRS Investment Plan”), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2019, totaled \$11,708.

J. Other Postemployment Benefits

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

Plan Description – The District participates in the Brevard County, Florida (the “County”) healthcare plan. The Brevard County Board of County Commissioners (the “Board”) administers a single-employer defined benefit healthcare plan (the “Plan”) that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the District is required to provide

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

J. Other Post-employment Benefits (continued)

eligible retirees (as defined in the County’s pension plans) the opportunity to participate in this Plan at the same cost that is applicable to active employees. Eligible retirees must be drawing an immediate benefit from their respective pension plan and be enrolled in medical coverage prior to retirement. Surviving spouses of participants are allowed access to the Plan but must pay the full premium. Benefit provisions for the Plan were established by the Board on May 12, 1987 and may only be amended by the Board. The District does not issue stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the District’s basic financial statements.

Employees who are active participants in the Plan at the time of retirement and are either age 62 with completion of six years of service or have 30 years of service are eligible to receive benefits. The District accounts for 3 active participants. Of the total, none are eligible to receive benefits. There are no retirees of the District (or spouses of retirees) receiving benefits under the Plan.

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

Funding Policy - The District is funding the Plan on a pay-as-you-go basis. The maximum employer contribution target is 56% of the annual premium cost of the Plan. The annual premium costs are between \$4,056 and \$8,616 for retirees and spouses under age 65 and between \$1,872 and \$6,312 for retirees and spouses over age 65. Employees hired prior to January 1, 2006 are eligible to receive 100% of the earned percentage of benefits for their lifetime upon attainment of age 62 and completion of six years of service or upon completing 30 years of service, if earlier. Employees hired on or after January 1, 2006 are eligible to receive a graduated earned percentage of benefits upon retirement based on years of service.

For the year ended September 30, 2019, the portion of contribution attributed to the District is \$1,420 which includes both an estimate of the implied subsidy described above and the explicit subsidy paid on behalf of eligible retirees.

Plan Membership – At October 1, 2019, OPEB membership consisted of the following:

	Number of covered individuals
Inactive members currently receiving benefits	1
Inactive members entitled to but not yet receiving benefits	-
Active members	3
Total	4

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

J. Other Post-employment Benefits (continued)

Actuarial Assumptions and Other Inputs – The total OPEB liability in the September 30, 2019 actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.50 percent
Salary Increases	3.50 percent projected annual salary increase
Discount rate	3.64 percent investment rate of return
Health care cost trend rates	6.50 percent using Society of Actuaries Long-Term Model
Retirees' share of benefit-related costs	44.00 percent of annual premium cost

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

In the October 1, 2019 actuarial valuation, the Entry Age Normal, Level Percent of Pay cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 6.50% initially, reduced by decrements to an ultimate rate of 5.00% after four years. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

At September 30, 2019 the District reported a Net OPEB liability of \$5,466. The GASB 75 information has been provided as of the September 30, 2019 measurement date.

Change in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance as of October 1, 2018 for FYE 2018	\$ 6,526	\$ -	\$ 6,526
Changes for the year:			
Service cost	273	-	273
Interest	246	-	246
Changes of assumptions	240	-	240
Difference between expected and actual experience	(399)	-	(399)
Benefit payments	(1,420)	-	(1,420)
Net changes	(1,060)	-	(1,060)
Balance as of October 1, 2019 for FYE 2019	\$ 5,466	\$ -	\$ 5,466

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

J. Other Post-employment Benefits (continued)

Changes in assumptions and other inputs reflect a change in the discount rate from 4.24% as of September 30, 2018 to 3.64% as of September 30, 2019. The methods, assumptions, and participant data used are detailed in the actuarial valuation report dated October 1, 2019 with the exception of the actuarial cost method. These calculations are based in the Entry Age Normal cost method required by GASBC P52.

Sensitivity of the Net OPEB Liability - The following presents the District's OPEB liability as if it were calculated using a discount rate that is one percentage point lower or higher than the current discount rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Net OPEB Liability	\$ 5,815	\$ 5,466	\$ 5,148

The following presents the District's OPEB liability as if it were calculated using a trend rate that is one percentage-point lower or higher than the current trend rate:

	1% Decrease (5.50%)	Healthcare Cost Trend Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability	\$ 5,106	\$ 5,466	\$ 5,867

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended September 30, 2019, the District recognized an OPEB expense of \$1,056. In addition the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (1,078)
Change of assumptions	-	22
Total	\$ -	\$ (1,056)

Sebastian Inlet District, Florida
Notes to Financial Statements

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

J. Other Post-employment Benefits (continued)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in expense as follows:

Year Ending September 30,	
2020	\$ (155)
2021	(155)
2022	(155)
2023	(155)
2024	(155)
Thereafter	(281)
Total	\$ (1,056)

K. Commitments

The District had contractual commitments at September 30, 2019, of approximately \$498,868 for various projects at the Inlet. Future appropriations will fund these commitments as work is performed.

L. Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in future years. The statements address:

GASB Statement No. 84, Fiduciary Activities (“GASB 84”), seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2018.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

G. Future Accounting Pronouncements (continued)

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

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

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

Sebastian Inlet District, Florida
Schedule of Proportionate Share of Net Pension Liability
Last Five Years

Florida Retirement System (FRS)					
	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0013%	0.0010%	0.0014%	0.0015%	0.0016%
District's proportionate share of the net pension liability	\$ 441,168	\$ 302,205	\$ 427,472	\$ 389,554	\$ 208,444
District's covered payroll	\$ 330,780	\$ 309,460	\$ 306,216	\$ 275,409	\$ 269,803
District's proportionate share of the net pension liability as a percentage of its covered payroll	133.37%	97.66%	139.60%	141.45%	76.96%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%

Health Insurance Subsidy (HIS)					
	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0010%	0.0009%	0.0010%	0.0009%	0.0900%
District's proportionate share of the net pension liability	\$ 110,667	\$ 93,078	\$ 102,720	\$ 103,975	\$ 90,695
District's covered payroll	\$ 330,780	\$ 309,460	\$ 306,216	\$ 275,409	\$ 269,803
District's proportionate share of the net pension liability as a percentage of its covered payroll	33.46%	30.08%	33.54%	37.75%	33.48%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	92.00%

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

Note 2: The Plan's fiduciary net position as a percentage of the total pension liability is published in Note 3K of the Plan's Comprehensive Annual Financial Report.

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

**Sebastian Inlet District, Florida
Schedule of Contributions
Last Five Years**

Florida Retirement System (FRS)

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 41,493	\$ 29,188	\$ 34,264	\$ 38,856	\$ 39,346
Contributions in relation to the contractually required contribution	(41,493)	(29,188)	(34,264)	(38,856)	(39,346)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 324,932	\$ 310,799	\$ 308,562	\$ 277,210	\$ 270,853
Contributions as a percentage of covered-employee payroll	12.77%	9.39%	11.10%	14.02%	14.53%

Health Insurance Subsidy (HIS)

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 5,395	\$ 4,791	\$ 5,123	\$ 4,603	\$ 3,399
Contributions in relation to the contractually required contribution	(5,395)	(4,791)	(5,123)	(4,603)	(3,399)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 324,932	\$ 310,799	\$ 308,562	\$ 277,210	\$ 270,853
Contributions as a percentage of covered-employee payroll	1.66%	1.54%	1.66%	1.66%	1.25%

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

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

September 30,	2019	2018
Service cost	\$ 273	\$ 415
Interest	246	329
Difference between expected and actual experience	(399)	(2,010)
Changes of assumptions or other inputs	240	(298)
Benefit payments	(1,420)	(1,920)
Net change in total OPEB liability	(1,060)	(3,484)
Total OPEB liability - beginning	6,526	10,010
Total OPEB liability - ending	\$ 5,466	\$ 6,526
Covered-employee payroll	\$ 423,935	\$ 384,749
Total OPEB liability as a percentage of covered-employee payroll	1.29%	1.70%

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

* The following discount rate was used in each period:

9/30/2017 - 1.00%

9/30/2018 - 4.24%

9/30/2019 - 3.64%

Sebastian Inlet District, Florida

**Schedule of Revenues, Expenditures, and Changes in General Fund Balance –
Budget and Actual**

<i>Year ended September 30, 2019</i>	Original Budget	Final Budget	Actual (Budgetary Basis - See Note C)	Variance with Final Budget Positive (Negative)
Revenues				
Taxes:				
Brevard County	\$ 1,727,407	\$ 1,727,407	\$ 1,699,531	\$ (27,876)
Indian River County	422,000	422,000	416,747	(5,253)
Intergovernmental	-	-	1,959,495	1,959,495
Interest and other	52,000	52,000	96,510	44,510
Total revenues	2,201,407	2,201,407	4,172,283	1,970,876
Expenditures				
Current:				
General government	832,318	832,318	731,434	100,884
Physical environment	10,004,089	10,004,089	4,018,426	5,985,663
Total expenditures	10,836,407	10,836,407	4,749,860	6,086,547
Excess (deficiency) of revenues over (under) expenditures	(8,635,000)	(8,635,000)	(577,577)	8,057,423
Fund balances, beginning of year	12,413,627	12,413,627	12,413,627	-
Fund balances, end of year	\$ 3,778,627	\$ 3,778,627	\$ 11,836,050	\$ 8,057,423

Sebastian Inlet District, Florida Notes to Required Supplementary Information

A. Budgetary Information

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

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

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

B. Encumbrances

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

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

C. Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

The accompanying schedule of revenues, expenditures and changes in general fund balance - budget and actual on page 45 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, timing, perspective, and entry differences in the net changes in fund balance for the year ended September 30, 2019, is presented below:

Net change in fund balance – budgetary basis	\$ (577,577)
Differences – budget to GAAP:	
Outstanding encumbrances	537,548
Prior year encumbrances completed	(467,532)
<u>Net change in fund balance – GAAP basis</u>	<u>\$ (507,561)</u>

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

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

To the District Commissioners
Sebastian Inlet District, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Sebastian Inlet District, Florida, as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sebastian Inlet District, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-002.

Sebastian Inlet District, Florida's Response to Findings

Sebastian Inlet District Florida's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Sebastian Inlet District, Florida's response 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida
February 26, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY CHAPTER 10.550, RULES OF THE FLORIDA AUDITOR GENERAL

To the District Commissioners
Sebastian Inlet District, Florida

Report on Compliance for Each Major State Project

We have audited the District's compliance with the types of compliance requirements described in *Chapter 10.550, Rules of the Auditor General* that could have a direct and material effect on each of the District's major state projects for the year ended September 30, 2019. The District's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the state statutes, regulations, contracts and grants applicable to its state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards, Chapter 10.550, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Project

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and of compliance,

we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of District as of and for the year ended September 30, 2019, and have issued our report thereon dated February 26, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida
February 26, 2020

**Sebastian Inlet Tax District
Schedule of Findings and Questioned Costs
For the year ended September 30, 2019**

Section I—Summary of Auditors’ Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors’ report issued: | Unmodified |
| 2. Internal control over major financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

State Projects

- | | |
|---|---|
| 1. Type of auditors’ report issued on compliance for major state projects | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550? | No |
| 4. Identification of major state project: | |
| <u>CFSA Number</u>
37.003 | <u>State Program</u>
Beach Management Funding Assistance Program |
| 5. Dollar threshold used to distinguish between type A and B programs : | \$629,184 |

**Sebastian Inlet Tax District
Schedule of Findings and Questioned Costs (continued)
For the year ended September 30, 2019**

Section II—Financial Statement Findings

2019-001 JOURNAL ENTRIES

Criteria: The District should have a process in place for all journal entries showing that they have been reviewed and approved before being entered into the accounting system.

Condition: No formal process is in place for journal entry review and/or approval was noted.

Cause: It was noted during journal entry testing that entries pulled for testing did not show marking of review and/or approval done by an individual not entering the journal entry into the accounting system.

Effect: Erroneous journal entries could be entered into the accounting system that are fictitious and cause financial statements to be misstated.

Recommendation: The District should put into to place a process for journal entry review which will include a specific marking to identify that the entry was reviewed and approved for entry.

Management’s Response: Ordinarily, there are two Journal Entries entered monthly into QuickBooks to correct expense account charges. The first is related to account #5110210—Commissioner Payroll Taxes; the second is related to account #5130150—Retirement Contribution/FRS & SEP. Pursuant to the identification of this condition, a Journal Entry review/approval process with the Executive Director began effective October 1, 2019 for these Journal Entries.

2019-002 REPORTING


Criteria: The award agreement requires quarterly status reports are due no later than 20 days following the completion of the quarterly reporting periods.

Condition: The quarterly status report for the period ended September 30, 2019 was submitted on October 24, 2019. This was the first and only quarterly report of fiscal year 2019 required to be submitted. The District did not receive any communication from the grantor indicating this reporting was out of compliance, prior to their submission.

Cause: District staff were mistaken about due date of the report.

Potential Effect: Non-compliance with agreement terms which could result in termination of agreement and the District not being reimbursed for project expenditures.

Recommendation: Management should understand all award terms and ensure reporting is submitted timely. The report for the quarter ended December 31, 2019, submitted after the end of the fiscal year, was submitted timely.



**Sebastian Inlet Tax District
Schedule of Findings and Questioned Costs (continued)
For the year ended September 30, 2019**

Management Response: The change in the prior DEP agreement's 30-day requirement (Agreement 19IR1) to a 20-day requirement (Agreement 20IR1) is noted.

Section IV—State Project Findings and Questioned Costs

No matters were reported.

Section V—Other Issues

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to State financial assistance projects.

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The Sebastian Inlet District Commission

A multi-county independent special taxing district

114 Sixth Avenue, Indialantic, Florida 32903 (321)724-5175 / (321)951-8182 FAX



All items have been cleared as of October 1, 2019.

The responsible party is David Kershaw

2019-001 JOURNAL ENTRIES

Recommendation: The District should put into to place a process for journal entry review which will include a specific marking to identify that the entry was reviewed and approved for entry.

Management's Response: Ordinarily, there are two Journal Entries entered monthly into QuickBooks to correct expense account charges. The first is related to account #5110210—Commissioner Payroll Taxes; the second is related to account #5130150—Retirement Contribution/FRS & SEP. Pursuant to the identification of this condition, a Journal Entry review/approval process with the Executive Director began effective October 1, 2019 for these Journal Entries.

2019-002 REPORTING

Recommendation: Management should understand all award terms and ensure reporting is submitted timely. The report for the quarter ended December 31, 2019, submitted after the end of the fiscal year, was submitted timely.

Management Response: The change in the prior DEP agreement's 30-day requirement (Agreement 19IR1) to a 20-day requirement (Agreement 20IR1) is noted.

**Sebastian Inlet Tax District
Schedule of Expenditures of State Financial Assistance
For the year ended September 30, 2019**

State Agency/ Pass-through Grantor/ Program Title	CSFA Number	Grant or Contract Number	Expenditures	Subrecipients
State Project:				
<u>Florida Department of Environmental Protection</u>				
Direct Project:				
Beach Erosion Control Program	37.003	19IR1	\$ 9,338	\$ -
Beach Erosion Control Program	37.003	20IR1	2,087,943	-
Total Expenditures of State Financial Assistance			\$ 2,097,281	\$ -

Note A - Significant Accounting Policies:

The Schedule of Expenditures of State Assistance is a summary of the District's state assistance programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

Grant monies received and disbursed by the District are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the District does not believe that such disallowance, if any, would have a material effect on the financial position of the District.



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INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the District Commissioners
Sebastian Inlet District, Florida

Report on the Financial Statements

We have audited the financial statements of the Sebastian Inlet District, Florida as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated February 26, 2020.

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 Auditor's Report on Compliance for Each State Project and Report on Internal Control over Compliance; schedule of findings and questions costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 26, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address find 2018-001 made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(l)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of the Sebastian Inlet District, Florida is disclosed in the footnotes. The Sebastian Inlet District, Florida has no component units.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Sebastian Inlet District, Florida has 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 Sebastian Inlet District, 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 Sebastian Inlet District. It is management's responsibility to monitor the Sebastian Inlet District, 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 noted the recommendation below.

Finding 2019-003 TRAVEL EXPENSE REIMBURSEMENT

Criteria: The District's policy requires receipts for all travel expenses except per diem.

Condition: Two items submitted for reimbursement did not have a receipt included.

Cause: There were two travel days that had \$18 of reimbursement requests in excess of the \$5 incidentals per day included in per diem without receipts.

Effect: Amounts could be reimbursed for fictitious expenses.

Recommendation: We recommend that the District should update their travel policy to address if expenses will be reimbursed if no receipt is available.

Management Response: The \$18 of Florida Beach and Shore Preservation Association conference expenses in question are related to tips. The District's Incidental Expenses policy adopted January 13, 1986 is silent on tips. Staff had been following the annually revised GSA Per Diem Rates for Florida related to Incidental Expenses. That rate in 2019 was \$5. Staff will update the Travel Policy to avoid this issue going forward.

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 which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

Carri Riggs & Ingram, L.L.C.

Melbourne, Florida

February 26, 2020

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

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

We have examined the Sebastian Inlet District, Florida's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

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

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

In our opinion, the District complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019.

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, LLC

Melbourne, Florida
February 26, 2020