

St. Johns Improvement District

FINANCIAL STATEMENTS

September 30, 2020



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St. Johns Improvement District
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September 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
St. Johns Improvement District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the St. Johns Improvement District, (the "District") as of and for the year ended September 30, 2020, 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 St. Johns Improvement District as of September 30, 2020, 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, and the postemployment benefits and net pension liability supplementary information, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2021 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.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida
February 24, 2021

St. Johns Improvement District Management's Discussion and Analysis

As management of the St. Johns Improvement District (the "District"), we offer readers of the District's financial statements this narrative overview of the financial activities of the District for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the District's financial statements (beginning on page 15).

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$7,288,335 (net position). Of this amount, (\$749,596) (unrestricted net position) may be used to meet the government's ongoing obligations to creditors.
- The government's total net position decreased by \$13,520.
- As of the close of the current fiscal year, the St. Johns Improvement District's governmental fund reported ending fund balance of \$1,299,729, an increase of \$1,259,269 in comparison with the prior year. Unassigned fund balance for the General Fund was \$1,189,841, or 44.5% of total general fund expenditures, excluding capital outlay.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the St. Johns Improvement District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's financial position, in a manner similar to a private-sector business. They include a Statement of Net Position and a Statement of Activities.

The Statement of Net Position presents information on all of 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 whether the financial position of the District is improving or deteriorating.

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

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

St. Johns Improvement District Management's Discussion and Analysis

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

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

The District maintains one governmental fund, the General Fund. The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Government-Wide Financial Analysis

Statement of Net Position. The District's net position for the years ending 2020 and 2019 was \$7,288,335 and \$7,301,855 respectively, a decrease of \$13,520. A large portion of the District's net position (89.7%) reflects its investment in capital assets, less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to manage the District's surface waters and land area, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

During the year ending 2020, the District completed construction of Pump Station 10, which increased current assets due to the District completing the project under budget and due to the millage rate increase both of which increased the balance in cash. The District obtained a loan for its completion, thereby causing an increase in noncurrent liabilities. The loan debt is the primary cause of the decrease in the percentage of the net position invested in capital assets from the year ending 2019 (106%). The decrease in the current liabilities is due to several factors including the completion of the aforementioned capital project, the payment of large purchase invoices prior to fiscal year end and the decrease in small purchases in the month preceding the fiscal year end.

St. Johns Improvement District Management's Discussion and Analysis

Statement of Activities. The revenues of the District increased as a result of an increase in the per acre assessment, which went from \$106.00 per acre to \$127.00 per acre. This increase was necessary to cover the additional costs related to the construction of Pump Station 10 and its loan costs for construction. The renewal of the line of credit as well as the interest payments made on the Pump Station 10 loan increased the interest expenses for the year. Physical environment decreased from the prior year due to the decrease in fuel costs during the year.

	Change in Net Position Governmental Activities	
	2020	2019
Revenues:		
Program revenues	\$ 3,271,443	\$ 3,081,361
Investment income and miscellaneous	24,625	53,947
Total revenues	3,296,068	3,135,308
Expenses:		
Physical environment	3,228,622	3,351,702
Interest on long-term debt	51,184	6,588
Loss on sale of assets	29,782	-
Total expenses	3,309,588	3,358,290
Change in net position	(13,520)	(222,982)
Net position:		
Beginning of year	7,301,855	7,524,837
End of year	\$ 7,288,335	\$ 7,301,855

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to financial statements can be found starting on page 22 of this report.

General Fund Budgetary Highlights

The District's primary budgetary income source is through the annual per acre assessment levied against landowners within the jurisdictional area represented by the District. The total annual per acre assessment for the period ending September 30, 2020, is \$127.00 per acre. This assessment is levied against 25,219.92 acres. District's assessments are collected through the local county tax collection office. For the fiscal year end September 30, 2020, approximately 95.4% of the District's annual budgeted revenue came from this assessment source. Historically, the balance of the remaining annual budgeted revenues would come from a variety of revenues sources; including the land management activities associated with the alligator harvesting agreement and the FCC stormwater fees.

St. Johns Improvement District Management's Discussion and Analysis

Total expenditures for the year ending 2020 came in approximately \$1,273,808 less than budgeted, mainly due the cost of diesel fuel being lower than budgeted and the line of credit not needing to be used.

Capital Assets

At September 30, 2020, the District's investment in capital assets amounted to \$7,824,722 (net of accumulated depreciation). This amount represents a net increase of \$112,956 after depreciation expense of \$1,530,829 for the year ending September 30, 2020. This increase is due to current year additions including work done at the pump stations to make the electrical wiring and the fuel lines not only code compliant but also hardened, the finishing of the reservoir berm raising, the installation of cutters along the piers at the reservoir outfall gates, and the reworking and resurfacing of the slab at the fuel island.

Long-Term Debt

During 2020, the District obtained a loan in the amount of \$1,400,000 which was used to pay for the construction costs associated with Pump Station 10 as well as the negotiated attorney's fees in the settlement of a lawsuit. The interest paid on the loan in fiscal year 2020 was \$32,369 and a principal payment of \$114,017 was made. Interest paid on the line of credit in fiscal year 2020 was \$8,250.

Economic Factors and Next Year's Budget

While not experiencing the same dynamic conversion from agricultural to planned unit developments as areas east of Interstate 95 in Indian River County have experienced, nonetheless, the lands within the District are experiencing some discussion of land conversion, converting traditional and historic agricultural lands to a varied non-agricultural or quasi-agricultural use. While the District today remains firmly rooted in its agricultural culture, the potential conversion of lands may be hastened not only by economic factors but also by natural factors which may impact the future of citrus within the District area. Such conversions are 2,849 acres held by FPL (representing 4 solar farms) and 2,047 acres of conservation easement. In anticipation of such transition and in an attempt to allow for ordered growth within the District's community, the District initiated landowner approved actions in August 2006 to convert the District from a single purpose Chapter 298 Drainage District (St. Johns Water Control District) to a multi-purpose Chapter 189 Improvement District (St. Johns Improvement District). The assessment per acre is budgeted to decrease in fiscal year 2021 to \$123.00 per acre. This decrease represents an approximately \$100,000 decrease in the overall budget for the coming fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the St. Johns Improvement District's finances for all those with an interest in the District's finances. Questions concerning any of the information should be addressed to the Administrator's office at 905 122nd Ave SW; Vero Beach, Florida 32968.

St. Johns Improvement District
Basic Financial Statements

St. Johns Improvement District
Statement of Net Position

<i>September 30, 2020</i>	Primary Government
Assets	
Cash and cash equivalents	\$ 1,220,198
Receivables	24,830
Inventory	109,888
Capital assets	
Non-depreciable	1,358,827
Depreciable, net	6,465,895
Total assets	9,179,638
Deferred Outflows of Resources	
Deferred outflows related to pensions	232,059
Liabilities	
Accounts payable	46,960
Accrued liabilities	8,227
Accrued interest	10,565
Non-current liabilities	
Due within one year	
Compensated absences	10,295
Notes payable	125,306
Due in more than one year	
Other postemployment benefits	22,072
Net pension liability	700,062
Notes payable	1,160,677
Total liabilities	2,084,164
Deferred Inflows of Resources	
Deferred inflows related to pensions	36,686
Deferred inflows related to OPEB	2,512
Total deferred inflows of resources	39,198
Net Position	
Net investment in capital assets	6,538,739
Unrestricted	749,596
Total net position	\$ 7,288,335

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

St. Johns Improvement District Statement of Activities

<i>For the year ended September 30, 2020</i>					Program Revenues	Primary Government
Functions/Programs	Expenses	Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions		Net (Expense) Revenue and Changes in Net Position
Physical environment	\$ 3,228,622	\$ 3,220,184	\$ 51,259	\$ -		\$ 42,821
Interest on long term debt	51,184	-	-	-		(51,184)
Total governmental activities	\$ 3,279,806	\$ 3,220,184	\$ 51,259	\$ -		(8,363)

General revenues	
Investment income and miscellaneous	24,625
Loss on fixed assets	(29,782)
Total general revenues	(5,157)
Change in net position	(13,520)
Net position, beginning of year	7,301,855
Net position, end of year	\$ 7,288,335

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

**St. Johns Improvement District
Balance Sheet – Governmental Fund**

<i>September 30, 2020</i>	General
Assets	
Cash and cash equivalents	\$ 1,220,198
Accounts receivable	24,830
Inventory	109,888
<hr/>	
Total assets	\$ 1,354,916
<hr/> <hr/>	
Liabilities and Fund Balances	
Liabilities	
Accounts payable	46,960
Accrued liabilities	8,227
Total liabilities	55,187
<hr/>	
Fund balances	
Nonspendable	
Inventory	109,888
Unassigned	1,189,841
Total fund balances	1,299,729
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Total liabilities and fund balances	\$ 1,354,916
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The accompanying notes are an integral part of this financial statement.

**St. Johns Improvement District
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position**

September 30, 2020

Total fund balances - governmental funds	\$ 1,299,729
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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 reporting in the funds.

Governmental capital assets	18,638,420	
Less accumulated depreciation	(10,813,698)	7,824,722

Deferred amounts are reported on the Statement of Net Position as deferred outflows or deferred inflows of resources but are not reported in the fund. Those deferred amounts consist of:

Deferred contributions related to pensions	232,059	
Deferred experience related to pensions	(36,686)	
Deferred inflows related to OPEB	(2,512)	

Long-term liabilities, including total OPEB liability, net pension liability, compensated absences, and accrued interest are not due and payable in the current period and, therefore, are not reported at the fund level.

Net pension liability	(700,062)	
Notes payable	(1,285,983)	
Compensated absences	(10,295)	
Other postemployment benefits	(22,072)	
Accrued interest	(10,565)	(2,028,977)

Net position of governmental activities	\$ 7,288,335
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The accompanying notes are an integral part of this financial statement.

St. Johns Improvement District
Statement of Revenues, Expenditures and Changes in Fund Balance –
Governmental Fund

<i>For the year ended September 30, 2020</i>	General
Revenues	
Special assessments	\$ 3,142,890
Licenses and permits	56,913
Interest earnings	19,314
Intergovernmental	71,640
Miscellaneous	5,311
Total revenues	3,296,068
Expenditures	
Current:	
Salaries, wages and benefits	652,778
Fuel, grease and oil	548,019
Repair and maintenance	86,661
Professional services	961,972
Insurance	108,121
Utilities	19,935
Supplies	152,972
Rental and leases	16,085
Permit and state fees	775
Debt service	
Principal	114,017
Interest	40,619
Capital outlay	736,149
Total expenditures	3,438,103
Excess (deficiency) of revenues over (under) expenditures	(142,035)
Other Financing Sources	
Proceeds from sale of capital assets	1,304
Note payable proceeds	1,400,000
Total other financing sources	1,401,304
Net change in fund balances	1,259,269
Fund balances, beginning of year	40,460
Fund balances, end of year	\$ 1,299,729

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

St. Johns Improvement District

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

For the year ended September 30, 2020

Net change in fund balances - total governmental funds	\$ 1,259,269
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$736,149 exceeded depreciation of \$592,107 in the current period</p>	144,042
<p>In the statement of activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, disposals are not reported. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets.</p>	(31,086)
<p>Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.</p>	(1,400,000)
<p>Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	114,017
<p>Interest payable on long-term debt that is not due and payable in the current period is not recorded in the governmental funds, but increases interest expense in the statement of activities.</p>	(10,565)
<p>Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.</p>	1,371
<p>Other postemployment benefit obligation reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.</p>	(24,584)
<p>Cash pensions contributions reported in the funds were greater than the calculated pension expense on the statement of activities and therefore decrease net position.</p>	(65,984)
Change in net position of governmental activities	\$ (13,520)

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

St. Johns Improvement District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund

<i>For the year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 3,124,160	\$ 3,124,160	\$ 3,142,890	\$ 18,730
Licenses and permits	50,500	50,500	56,913	6,413
Interest earnings	5,151	5,151	19,314	14,163
Intergovernmental	31,000	31,000	71,640	40,640
Miscellaneous	1,100	1,100	5,311	4,211
Total revenues	3,211,911	3,211,911	3,296,068	84,157
Expenditures				
Current:				
Salaries, wages and benefits	707,000	707,000	652,778	54,222
Fuel, grease and oil	927,500	927,500	548,019	379,481
Repair and maintenance	217,848	157,848	86,661	71,187
Professional services	191,601	941,601	961,972	(20,371)
Insurance	96,000	96,000	108,121	(12,121)
Utilities	28,200	28,200	19,935	8,265
Supplies	295,804	295,804	152,972	142,832
Rental and leases	20,850	20,850	16,085	4,765
Permit and state fees	-	-	775	(775)
Debt service				
Line of credit	205,000	205,000	-	205,000
Principal	114,017	114,017	114,017	-
Interest	80,083	80,083	40,619	39,464
Capital outlay	328,008	1,138,008	736,149	401,859
Total expenditures	3,211,911	4,711,911	3,438,103	1,273,808
Deficiency of Revenues				
Under Expenditures	-	(1,500,000)	(142,035)	1,357,965
Other Financing Sources				
Proceeds from sale of capital assets	-	-	1,304	1,304
Line of credit proceeds	205,000	205,000	-	(205,000)
Note payable proceeds	-	1,400,000	1,400,000	-
Total other financing sources	205,000	1,605,000	1,401,304	(203,696)
Net change in fund balance	205,000	105,000	1,259,269	1,154,269
Fund balance, beginning of the year	40,460	40,460	40,460	-
Fund balance, end of year	\$ 245,460	\$ 145,460	\$ 1,299,729	\$ 1,154,269

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

St. Johns Improvement District Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Johns Improvement District (the “District”), was incorporated in 1962 by decree of the Circuit Court of the Ninth Judicial Circuit in Indian River County under Florida Statutes (Chapter 298.01), and consists of landowners who receive the benefit of water management and are assessed taxes on a per acre basis of the areas within District Boundaries. On June 26, 2007, the St. Johns Water Control District was renamed and converted from a single-purpose Water Control District, to a multiple-purpose Improvement District by legislative approval and signature of the Governor. As a multiple-purpose improvement district, the District is governed primarily by Chapter 189 of the Florida Statutes, and as such, the District has the statutory power to build and maintain every type of municipal infrastructure and provide any kind of municipal service that a county or district would provide, with the exceptions of public safety, and zoning changes, which must be in compliance with the adopted comprehensive plan administered by the county. Improvements and services provided are for the exclusive benefit of the landowners and are paid for by them through annual land assessments. The District is empowered to sell bonds to pay for capital improvements, and is authorized to create units of development within the District.

Reporting Entity

The District is a multi-purpose improvement district governed by a three-member Board of Supervisors (the “Board”). The accompanying financial statements present the District. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the District are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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*.

St. Johns Improvement District Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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. Special Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Government-Wide Financial Statements

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

St. Johns Improvement District Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The District reports the following major governmental fund:

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

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method and consists of fuel. The cost of such inventory is recorded as expenditures/expenses when purchased.

St. Johns Improvement District Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of five years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	39
Equipment and vehicles	5-10
Bridges, culverts, roads	15
Intangibles	5-10
Infrastructure	7-50

Deferred Outflows/Inflows of Resources

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

The District has one item that qualifies for reporting as deferred outflows of resources, the *deferred outflows related to pensions*, reported in the government-wide statement of net position. The *deferred outflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The *deferred outflows related to pensions* will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District has two (2) items that qualify for reporting as deferred inflows of resources, the *deferred inflows related to pensions* and the *deferred inflows related to other post-employment benefits*, both reported in the government-wide statement of net position. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The *deferred inflows related to pensions* will be recognized as a reduction to pension expense in future reporting years. The *deferred inflows related to other post-employment benefits* are an aggregate of items related to other post-employment benefits as calculated in accordance with GASB Codification Section P52: *Other Post-employment Benefits*. The *deferred inflows related to other post-employment benefits* will be recognized as a reduction to benefits expense in future reporting years.

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service upon the approval of the Board of Supervisors. The liability for such leave is reported as incurred in the government-wide financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types recognize principal payments during the current period. The face amount of debt issued is reported as other financing sources.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan.

Categories and Classification of Fund Equity

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Categories and Classification of Fund Equity (Continued)

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

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

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

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

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

Revenues and Expenditures/Expenses

Special Assessments – The District’s taxpayer assessment revenue (non ad-valorem) is levied through the Indian River County Tax Collector based on the approved budget submitted to the County by the District on or before September 1 of each tax year. The assessment is included in the County’s property tax levy which begins each November 1, and becomes a lien on the first day of the levy year, and is due on or before March 31. Discounts are allowed for early payment. The special assessment rate assessed by the District for the year ended September 30, 2020 was \$130.66 per acre.

Use of Estimates

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 24, 2021.

Recently Issued and Implemented Accounting Pronouncements

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

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

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

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2020, \$1,301,722 of the District's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the District pursuant to Section 280.08, Florida Statutes.

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

**St. Johns Improvement District
Notes to Financial Statements**

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2020:

	Beginning Balance	Transfer/ Increases	Transfer/ Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,291,736	\$ 52,527	\$ -	\$ 1,344,263
Construction-in-progress	1,484,964	473,420	(1,943,820)	14,564
Total capital assets, not being depreciated	2,776,700	525,947	(1,943,820)	1,358,827
Capital assets, being depreciated				
Infrastructure	10,877,550	2,098,368	-	12,975,918
Intangibles	46,554	-	-	46,554
Buildings	411,137	15,096	-	426,233
Bridges culverts & roads - other costs	1,644,204	-	-	1,644,204
Equipment and vehicles	2,180,311	9,472	(3,099)	2,186,684
Total capital assets, being depreciated	15,159,756	2,122,936	(3,099)	17,279,593
Less accumulated depreciation for				
Infrastructure	(6,682,182)	(459,306)	-	(7,141,488)
Intangibles	(13,966)	(4,655)	-	(18,621)
Buildings	(193,170)	(7,882)	-	(201,052)
Bridges culverts & roads - other costs	(1,498,435)	(13,500)	-	(1,511,935)
Equipment and vehicles	(1,836,937)	(106,764)	3,099	(1,940,602)
Total accumulated depreciation	(10,224,690)	(592,107)	3,099	(10,813,698)
Total capital assets being depreciated, net	4,935,066	1,530,829	-	6,465,895
Governmental activities capital assets, net	\$ 7,711,766	\$ 2,056,776	\$ (1,943,820)	\$ 7,824,722

Depreciation expense for the year ended September 30, 2020 was \$592,107.

Long-Term Debt and Liabilities

Line of Credit

The District has a line of credit up to \$650,000 that expires September 14, 2022, that has a floating interest rate per annum of LIBOR plus 2.53%. There was \$0 outstanding at September 30, 2020 on the line of credit.

St. Johns Improvement District Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Notes Payable

On June 14, 2019 the District entered into a \$1,400,000 note with Synovus bank with a maturity date of June 1, 2029. The interest rate was fixed at 3.25%. Principal payment is due annually starting on June 1, 2020 and interest is due semiannually on January 1 and June 1 of each year. Interest of \$32,369 was paid on this note during the year ended September 30, 2020. The note is secured by available future special assessment levies issued by the district. At September 30, 2020 the full \$1,400,000 was drawn on the note. In the event of default all principal and interest of the note will become immediately due and payable.

The following is a summary of governmental activities notes payable, direct borrowing, for the year ended September 30, 2020:

<i>Year ending September 30,</i>	Governmental Activities	
	Series 2019 Note	
	Principal	Interest
2021	\$ 125,306	\$ 39,758
2022	129,378	35,620
2023	133,583	31,346
2024	137,924	26,935
2025	142,407	22,379
2026-2029	617,385	40,929
Total	1,285,983	196,967
Current portion	(125,306)	(39,758)
Payable after one year	\$ 1,160,677	\$ 157,209

Changes In Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows for governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Notes payable					
Series 2019 Note	\$ -	\$ 1,400,000	\$ (114,017)	\$ 1,285,983	\$ 125,306
Compensated absences	11,666	18,479	(19,850)	10,295	10,295
Governmental activity long-term liabilities	\$ 11,666	\$ 1,418,479	\$ (133,867)	\$ 1,296,278	\$ 135,601

**St. Johns Improvement District
Notes to Financial Statements**

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes In Long-Term Liabilities (Continued)

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

Net Investment in Capital Assets

The elements of this calculation are as follows:

	Governmental Activities
Capital assets (net)	\$ 7,824,722
Outstanding debt related to capital assets	(1,285,983)
Net investment in capital assets	\$ 6,538,739

Note 3: RETIREMENT PLANS

Description of 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 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.

Note 3: RETIREMENT PLANS (Continued)

Description of Plans (Continued)

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, 2020, were as follows:

	FRS	HIS
Regular class	8.34%	1.66%
Senior management service class	25.63%	1.66%

The employer's contributions for the year ended September 30, 2020, were \$49,550 to the FRS Pension Plan and \$6,395 to the HIS Program.

**St. Johns Improvement District
Notes to Financial Statements**

Note 3: RETIREMENT PLANS (Continued)

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2020, 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, 2020. 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	\$	566,430	\$	133,632
Proportion at:				
Current measurement date		0.0013%		0.0011%
Prior measurement date		0.0011%		0.0011%
Pension expense	\$	113,460	\$	4,474

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2020, 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	\$ 21,678	\$ -	\$ 5,466	\$ (103)
Change of assumptions	102,542	-	14,369	(7,770)
Net difference between projected and actual earnings on pension plan investments	33,726	-	107	-
Changes in proportion and differences between District pension plan contributions and proportionate share of contributions	35,128	(12,377)	4,350	(16,436)
District pension plan contribution subsequent to the measurement date	13,000	-	1,693	-
Total	\$ 206,074	\$ (12,377)	\$ 25,985	\$ (24,309)

**St. Johns Improvement District
Notes to Financial Statements**

Note 3: RETIREMENT PLANS (Continued)

Pension Liabilities and Pension Expense

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer’s fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2020. 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	
2021	\$	37,946	\$	(5)
2022		57,823		(4)
2023		48,788		(1)
2024		28,912		(2)
2025		7,228		(3)
Thereafter		-		(2)
Total	\$	180,697	\$	(17)

Actuarial Assumptions

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

	FRS	HIS
Inflation	2.40%	2.40%
Salary increases, including inflation	3.25%	3.25%
Investment rate of return	6.80%	N/A
Discount rate	6.80%	2.21%

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

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

St. Johns Improvement District Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Actuarial Assumptions (Continued)

The following changes in key actuarial assumptions occurred in 2020:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 6.90% to 6.80%. The assumed inflation rate decreased from 2.60% to 2.40%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.50% to 2.21%. The assumed inflation rate decreased from 2.60% to 2.40%. Mortality assumptions for the HIS Program were changed from the Generational RP-2000 with Projection Scale BB to the PUB2010 base tables projected generationally with Scale MP-2018.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1.0%	2.2%	2.2%
Fixed income	19.0%	3.0%	2.9%
Global equity	54.2%	8.0%	6.7%
Real estate	10.3%	6.4%	5.8%
Private equity	11.1%	10.8%	8.1%
Strategic investments	4.4%	5.5%	5.3%
Total	<u>100%</u>		

Discount Rate

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

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 2.21% 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.

**St. Johns Improvement District
Notes to Financial Statements**

Note 3: RETIREMENT 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		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
September 30, 2020	5.80%	6.80%	7.80%	1.21%	2.21%	3.21%
District's proportionate share of the net pension liability	\$ 904,493	\$ 566,430	\$ 284,078	\$ 154,472	\$ 133,632	\$ 116,574

Pension Plans’ Fiduciary Net Position

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

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

Plan Description

The District administers a single-employer defined benefit healthcare plan (the “Plan”) that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the District is required to provide eligible retirees (as defined in the District’s pension plans) the opportunity to participate in this Plan at the same cost that is applicable to active employees. 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.

Funding Policy

The District is funding the post employee benefits on a pay-as-you-go basis. Contribution rates for the Plan are established by District Board of Supervisors annually during the budget process. The District does not pay for health insurance premiums for retirees. Blended premium rates for active and retired employees combined provide an implicit subsidy for retirees because on an actual basis, their current and future claims are expected to result in higher costs to the Plan than those of active employees. The current year contributions are determined as annualized claims incurred based on the retiree age at the beginning of the fiscal year and the claims table used for liability determination offset by the annual premium paid by the retiree for such coverage. District contributions are assumed to be equal to benefits paid.

St. Johns Improvement District Notes to Financial Statements

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

Plan Membership

The District's Plan includes 11 active participants.

Actuarial Assumptions and Other Inputs

In the September 30, 2020 measurement data, the actuarial assumptions and other inputs, applied include the following:

Inflation	2.15%
Salary increases	3.96% projected annual salary increase
Discount rate	2.14% investment rate of return
Healthcare cost trend rates	The expected rates of increase in health-care costs are based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services, in National Health Care Expenditures Projections: 2011-2027 (www.cms.hhs.gov). Health-care costs are expected to increase as follows:
	2021: 5.40%
	2022: 4.80%
	2023: 4.80%
	2024: 5.50%
	2025: 5.50%
	Ultimate: 5.00%
Retirees' share of benefit-related costs	100.0% of projected health insurance premiums

The discount rate was selected based on a 20-year tax-exempt high-quality general obligation municipal bond yield of index.

Mortality rates were based on the RP-2014 Mortality Tables for annuitants for small plans for Males and Females as appropriate with both rates, with adjustments for mortality improvements based on Scale MP, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430.

**St. Johns Improvement District
Notes to Financial Statements**

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

Actuarial Assumptions and Other Inputs (Continued)

The actuarial assumptions used in the September 30, 2020 valuation were not based on the results of an actuarial experience study.

At September 30, 2020, the District reported a total OPEB liability of \$22,072. The information has been provided as of the September 30, 2020 measurement date.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of October 1, 2019 for FYE 2019	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	18,939	-	18,939
Interest	203	-	203
Changes of assumptions	2,930	-	2,930
Net changes	22,072	-	22,072
Balance as of October 1, 2020 for FYE 2020	\$ 22,072	\$ -	\$ 22,072

Sensitivity of the Net OPEB Liability

The following table represents the District's OPEB liability calculated using the discount rate of 2.14%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (1.14%)	Discount Rate (2.14%)	1% Increase (3.14%)
Total OPEB Liability	\$ 23,674	\$ 22,072	\$ 20,504

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 20,475	\$ 22,072	\$ 23,804

**St. Johns Improvement District
Notes to Financial Statements**

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

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

For the fiscal year ended September 30, 2020, the District recognized an OPEB expense of \$24,584. In addition the District reported deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ -	\$ (2,512)
Total	\$ -	\$ (2,512)

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

Year ending September 30,		
2021	\$	(419)
2022		(419)
2023		(419)
2024		(419)
2025		(419)
Thereafter		(417)
Total	\$	(2,512)

Note 5: DEFERRED COMPENSATION PLAN

All employees of the District may voluntarily elect to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by Nationwide Retirement Solutions. The plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Because the Plan Assets are held in a trust for the exclusive benefit of plan participants and their beneficiaries, the plan is not accounted for in the District's financial statements. The District has not made any plan contributions during the fiscal year.

Note 6: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk of loss from the above is transferred by the District to various commercial insurers through the purchase of insurance. The District has maintained continuous coverage and does not believe it has any exposure to events which occurred prior to the year ended September 30, 2020.

Note 7: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operations, the District is a party to various claims, legal actions, and complaints. In 2012, the District entered into a settlement agreement to settle litigation related to a pump station. However, District management does not believe that the pump station described in the settlement agreement will perform its function as designed. The District has budgeted for a three year project to address the drainage and discharge issues.

On January 9, 2017, the trial court ordered the District to comply with the Settlement Agreement and construct, maintain, and operate Pump Station 10. In addition, the District must pay reasonable attorney fees and other plaintiff costs. As of September 30, 2020, the District had incurred costs of approximately \$2,700,000 to comply with the trial court order.

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

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

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St. Johns Improvement District Schedule of Proportionate Share of Net Pension Liability Last Six Years

Florida Retirement System (FRS)	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0013%	0.0011%	0.0011%	0.0011%	0.0012%	0.0014%
District's proportionate share of the net pension liability	\$ 566,430	\$ 392,902	\$ 343,807	\$ 338,799	\$ 290,765	\$ 182,850
District's covered payroll	379,857	356,760	357,460	343,266	330,392	400,776
District's proportionate share of the pension liability as a percentage of its net covered payroll	149.12%	110.13%	96.18%	98.70%	88.01%	45.62%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy (HIS)	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0011%	0.0011%	0.0011%	0.0011%	0.0011%	0.0013%
District's proportionate share of the net pension liability	\$ 133,632	\$ 119,356	\$ 115,836	\$ 115,151	\$ 124,734	\$ 134,726
District's covered payroll	379,857	356,760	357,460	343,266	330,392	400,776
District's proportionate share of the net pension liability as a percentage of its covered payroll	35.18%	33.46%	32.41%	33.55%	37.75%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

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 3 of the Plan's Comprehensive Annual Financial Report.

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

Note 4: GASB Statement No. 83, was implemented during fiscal year 2017. Covered payroll shown includes the payroll for defined benefit actives, members in DROP, and investment plan members.

St. Johns Improvement District
Schedule of Contributions
Last Six years

Florida Retirement System (FRS)

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 49,550	\$ 38,263	\$ 40,887	\$ 38,552	\$ 34,780	\$ 36,536
Contributions in relation to the contractually required contribution	(49,550)	(38,263)	(40,887)	(38,552)	(34,780)	(36,536)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 385,153	\$ 372,296	\$ 349,145	\$ 347,036	\$ 332,666	\$ 345,358
Contributions as a percentage of covered payroll	12.87%	10.28%	11.71%	11.11%	10.45%	10.58%

Health Insurance Subsidy (HIS)

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 6,395	\$ 6,198	\$ 5,935	\$ 5,699	\$ 5,486	\$ 5,050
Contributions in relation to the contractually required contribution	\$ (6,395)	\$ (6,198)	\$ (5,935)	\$ (5,699)	\$ (5,486)	\$ (5,050)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 385,153	\$ 372,296	\$ 349,145	\$ 347,036	\$ 332,666	\$ 345,358
Contributions as a percentage of covered payroll	1.66%	1.66%	1.70%	1.64%	1.65%	1.46%

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

St. Johns Improvement District
Schedule of Changes in the District's Total Other Postemployment Benefits
Liability and Related Ratios

		2020
Service cost	\$	18,939
Interest		203
Changes of benefit term		-
Difference between expected and actual experience		-
Changes of assumptions or other inputs		2,930
Benefit payments		-
Net change in total OPEB liability		22,072
Total OPEB liability - beginning		-
Total OPEB liability - ending		22,072
Covered-employee payroll	\$	417,739
Total OPEB liability as a percentage of covered-employee payroll		5.28%

Note 1: Only one year of data is available for other post-employment benefits in accordance with GASB Codification P52: Other Post-employment Benefits.

**Note 2: The following discount rate was used:
9/30/2020 2.14%**

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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 Board of Supervisors
St. Johns Improvement District

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 St. Johns Improvement District, Florida, as of and for the year ended September 30, 2020, 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 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Johns Improvement District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Johns Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of the St. Johns Improvement District 's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider deficiency 2020-001 to be a material weakness.

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. We consider deficiencies 2020-002, 2020-003, and 2020-004 to be significant deficiencies.

MW 2020-001 JOURNAL ENTRIES

Condition: Journal entries are not reviewed by someone at the District other than the preparer.

Criteria: For proper segregation of duties, someone other than the preparer should review the journal entries.

Cause of condition: Journal entries are prepared and entered without another person reviewing them.

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

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

Management's Response: Journal entries are reviewed by the Administrator and in the future the listing will be initialed to document that review.

SD 2020-002 ACCOUNTS PAYABLE

Condition: An expenditure was recorded in the incorrect period.

Criteria: Expenditures need to be recorded in the period in which the expense was incurred.

Cause of condition: Expenditures were entered according to the invoice date instead of the period the services were rendered.

Potential effect of condition: Accounts payable and expenditures can be understated.

Recommendation: The District should implement procedures to ensure all invoices received shortly after year-end are examined to determine the period in which services were rendered or goods were received and recorded in the proper period.

Management's Response: Expenses are recorded as per the date invoiced, if necessary this will be corrected by journal entry if carryover occurs between fiscal years.

SD 2020-003 FUEL INVENTORY

Condition: Fuel inventory was overstated as of September 30, 2020.

Criteria: Fuel inventory should be recorded at the lower of cost or market value.

Cause of condition: The incorrect price per gallon was used to calculate the ending inventory value, and the journal entry to record the adjustment was not reviewed.

Potential effect of condition: Inventory could be over or understated.

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

Management's Response: The last purchase price of the fiscal year will be utilized in the calculation of fuel inventory.

SD 2020-004 FIXED ASSETS

Condition: Loan costs were capitalized with fixed asset additions.

Criteria: GASB 65 states only prepaid insurance costs can be capitalized.

Cause of condition: Debt issuance costs were capitalized.

Potential effect of condition: Fixed assets were overstated.

Recommendation: The District should not capitalize debt issuance costs other than prepaid insurance.

Management's Response: Acknowledged.

Compliance and Other Matters

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

St. Johns Improvement District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carri Riggs & Ingram, L.L.C.

Melbourne, Florida

February 24, 2021



Carr, Riggs & Ingram, LLC
 215 Baytree Drive
 Melbourne, Florida 32940

(321) 255-0088
 (321) 259-8648 (fax)
 www.cricpa.com

INDEPENDENT AUDITORS’ MANAGEMENT LETTER

To the Board of Supervisors
 St. Johns Improvement District

Report on the Financial Statements

We have audited the financial statements of the St. Johns Improvement District, Florida, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated February 24, 2021.

Auditors’ Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountants’ Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 24, 2021 should be considered in conjunction with this management letter.

Prior Audit Findings

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

Prior Year Management Letter Comments:	Status
ML 19-01	Cleared / Fixed

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 St. Johns Improvement District is disclosed in the footnotes. The District has no component units.

Financial Condition and Management

Section 10.554(l)(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 St. Johns Improvement District met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the St. Johns Improvement District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the St. Johns Improvement District. It is management's responsibility to monitor the St. Johns Improvement District's financial condition, and our financial condition assessment was based in part on representations made by management and the 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 did not have any such recommendations.

Additional Matters

Section 10.554(l)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

Cary Riggs & Ingram, L.L.C.

Melbourne, Florida
February 24, 2021



Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

(321) 255-0088
(321) 259-8648 (fax)
www.cricpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

To the Board of Supervisors
St. Johns Improvement District

We have examined the St. Johns Improvement District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020. 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, 2020.

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

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

Melbourne, Florida
February 24, 2021