

**RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE CITY OF SEBASTIAN)**



**BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2022**

CITY COUNCIL

Jim Hill
Mayor

Fred Jones
Vice-Mayor

Ed Dodd
Council Member

Bob McPartlan
Council Member

Christopher Nunn
Council Member

Prepared by: Administrative Services Department

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RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY (A Component Unit of the City of Sebastian)

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INDEPENDENT AUDITORS' REPORT

March 7, 2023

To the Honorable Mayor and
City Council Members
City of Sebastian Riverfront Community Redevelopment Agency

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the **City of Sebastian Riverfront Community Redevelopment Agency** (the "Agency"), a blended component unit of the City of Sebastian, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund major fund of the Agency, as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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



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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and, the budgetary comparisons schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 March 7, 2023, on our consideration of the Agency’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 Agency’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 Agency’s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lehmann Lobson LLC". The signature is written in dark ink and is centered on the page.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY

(A Component Unit of the City of Sebastian)

Management's Discussion and Analysis

The following is a discussion and analysis of the financial performance and position of Riverfront Community Redevelopment Agency (the "Agency") for the year ended September 30, 2022. This analysis should be read in conjunction with the *Independent Auditors' Report* and with the financial statements, which follow this section.

The Agency was formally established in March 1995, with the adoption of Ordinance No. 0-95-08 by the City of Sebastian's Council. As provided for in Section 163.357, Florida Statute, the Agency is comprised of the five (5) members of the City of Sebastian Council. In 1995, the Sebastian Riverfront Community Redevelopment Plan was adopted, the City of Sebastian's Riverfront Community Development Agency was adopted and the Sebastian CRA Trust Fund established. The boundary was expanded in 2003, as well as the Redevelopment Plan to make one cohesive CRA. The Redevelopment Plan was again updated in 2010 to document conceptual recommendations, policy amendments and capital improvements intended to meet the CRA goals.

The primary function of the Agency, under the Redevelopment Plan, is to ensure that the downtown and surrounding vicinity would develop with a coherent community vision, and to encourage reinvestment within the CRA area. The City of Sebastian Council functions as the Riverfront Community Redevelopment Agency Board and performs the legislative and governing duties and responsibilities of the Agency. The Community Development Director performs the day to day administrative duties as Director of the Agency under the oversight and supervision of the City Manager.

The information contained in this MD&A is only a component of the entire financial statement report. We encourage readers to consider the information presented here in conjunction with all sections of the report, including the notes and required supplementary information provided.

Financial Highlights

- The assets of the Agency exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,574,762 (net position).
- The Agency's total net position increased by \$86,606 from the prior year.
- Taxable values within the CRA area decreased 3.84% from the prior year. The City and County are required to contribute a tax increment calculated by applying their millage rate to 95% of the increase in taxable values from the taxable values for the base year established when the CRA was formed. As allowed by section 163.387, Florida Statute, the County opted to apply the lesser of the two rates for the computation. There was also a correction this year due to a large taxpayer property outside the CRA area being incorrectly included inside the CRA area the prior year. Therefore the County tax incremental decreased \$49,531 due to applying the lower millage and the reduction in taxable values. The City tax increment decreased \$22,476 as a result of setting a lower millage and due to the same correction for the taxpayer property outside the CRA area.

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY

(A Component Unit of the City of Sebastian)

Management's Discussion and Analysis

Overview of the Financial Statements

The Agency's financial statements are comprised of three major components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Each is discussed below. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The Agency's government-wide financial statements provide a broad overview of the Agency's finances, in a manner similar to that of a private-sector entity. This section does not discuss individual Funds, and instead, focus on Governmental Activities and are prepared using the accrual basis of accounting. There are two statements:

Statement of Net Position. The government-wide statement of net position presents information on all the Agency's assets, liabilities and deferred inflows of resources, with the residual being reported as net position.

Statement of Activities. The government-wide statement of activities presents information on why the Agency's net position changed during the fiscal year (the difference between revenues received and expenses incurred). All changes in net position are reported as soon as an underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported even if cash is not received or paid.

The Agency's government-wide financial statements present functions of the Agency that are principally supported by tax increment financing (governmental activities). The governmental activities of the Agency include general government activities and economic environment. The Agency has no business-type activities.

Fund Financial Statements. These are designed to provide readers with a more precise view of financial activity, unlike the government-wide statements which focus on the Agency as a whole. A fund is a collection of resources, where a grouping of related account is used to control them. They have been segregated for a specific activity or objective. The Agency uses fund accounting to demonstrate compliance with legal requirements and to enhance accountability. The Agency utilized only one fund for the fiscal year ended September 30, 2022.

Government Funds. The governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental wide financial statements focus on short-term inflows and outflows of spendable resources, as well as on spendable resources available at year-end. This information is useful in evaluating the Agency's short-term financial condition.

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY

(A Component Unit of the City of Sebastian)

Management's Discussion and Analysis

The focus of the Fund financial statements is comparatively narrow (versus the government-wide), it is appropriate to compare fund information to its component counterpart in the governmental activities section of the government-wide financial statements. Doing so will assist the reader in understanding the long-term impact of the Agency's short-term decisions. The governmental fund requires a reconciliation because of the difference in measurement focus, which is reflected on the page following each government fund financial statement.

Notes to the Financial Statements. The notes provide additional information that is essential to the process of developing a complete understanding of the information presented in the government-wide and fund financial statements.

Required Supplementary Information (other than MD&A)

In addition to the basic financial statements described above, this report also presents certain required supplementary information, including a budgetary comparison schedule. The Agency adopts a budget for its governmental fund. Its budgetary comparison schedule has been provided with a legally adopted budget to demonstrate compliance with the budget and provides an analysis of significant budget variances (if any). Required supplementary information is located just after the notes to the financial statements.

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Agency's total net position increased by \$86,606 at the close of fiscal year ended September 30, 2022.

Cash grew by \$67,144, investments increased by \$9,551 and capital assets decreased by \$35.

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Sebastian)

Management's Discussion and Analysis

The following table reflects a summarized version of the Statement of Net Position, when compared to the prior fiscal year.

	Net Position	
	2022	2021
Assets		
Current and other assets	\$ 680,710	\$ 638,113
Capital assets, net	1,946,877	1,946,912
Total assets	<u>2,627,587</u>	<u>2,585,025</u>
Current liabilities	<u>1,611</u>	<u>11,512</u>
Deferred inflows of recourses	<u>51,214</u>	<u>85,357</u>
Net position		
Investment in capital assets	1,946,877	1,946,912
Restricted	627,885	541,244
Total net position	<u>\$ 2,574,762</u>	<u>\$ 2,573,513</u>

For more detailed information, see the Statement of Net Position.

Statement of Activities

Property tax revenue from the tax increment decreased by \$72,007. The County portion of the tax-increment revenue decreased by \$49,531, due to a correction in taxable values within the CRA area and a decrease in the millage applied to the computation. The City portion of the tax increment decreased by \$22,476 due to the correction in the taxable values and from setting a lower millage. Program revenues increased by \$43,313 because a capital contribution was received in 2022.

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Sebastian)

Management's Discussion and Analysis

The following schedule compares the revenues and expenses for the current and previous fiscal year.

	Changes in Net Position	
	2022	2021
Revenues		
Program revenues		
Charges for services	\$ 36,704	\$ 36,000
Capital contributions	86,358	43,749
General revenues		
Property taxes	385,665	457,672
Investment income	5,813	1,466
Total revenues	<u>514,540</u>	<u>538,887</u>
Expenses		
Economic environment	<u>378,362</u>	<u>341,142</u>
Total expenses	<u>378,362</u>	<u>341,142</u>
Change in net position, before transfers	136,178	197,745
Transfers	<u>(49,572)</u>	<u>(174,305)</u>
Change in net position	86,606	23,440
Net position, beginning of year	<u>2,488,156</u>	<u>2,464,716</u>
Net position, end of year	<u>\$ 2,574,762</u>	<u>\$ 2,488,156</u>

For more detailed information, see the Statement of Activities.

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY (A Component Unit of the City of Sebastian)

Management's Discussion and Analysis

Governmental Activities

The following is a table of the fiscal years 2022 and 2021 revenues by source for governmental activities.

	Revenue by Source			
	2022	%	2021	%
Governmental activities - revenues				
Charges for services	\$ 36,704	7%	\$ 36,000	7%
Capital contributions	86,358	17%	43,749	8%
Property taxes	385,665	75%	457,672	84%
Investment earnings	5,813	1%	1,466	1%
	<u>\$ 514,540</u>	<u>100%</u>	<u>\$ 538,887</u>	<u>100%</u>

The following is a table of the fiscal years 2022 and 2021 expenses by source for governmental activities.

	Expenses by Source			
	2022	%	2021	%
Governmental activities - expenses				
Economic environment	<u>\$ 378,362</u>	<u>100%</u>	<u>\$ 341,142</u>	<u>100%</u>

Fund Financial Statement Analysis

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements.

At the end of the current year, the Riverfront Community Redevelopment Agency had ending fund balance of \$627,885, an increase of \$86,641 as compared to the prior year. All of the Agency's fund balance is considered to be restricted for community redevelopment at year-end, except for \$395 which is nonspendable for prepaid items.

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY (A Component Unit of the City of Sebastian)

Management's Discussion and Analysis

Budgetary Highlights

Original budget compared to final budget.

- The difference between the original and the final amended budget for appropriations (expenditures) in the Agency was an increase of \$9,951 due to there need for an engineering study on the restaurant at the Working Water Front.

Final budget compared to actual results.

- The difference between the final amended budget for appropriations and actual expenditure and transfers was a positive variance of \$146,167. Most of the this amount was allocated for improvements to the Working Water Front facilities and signage upgrades within the CRA area. These projects are anticipated to be worked on next year.

Capital Assets

The Agency's investment in capital assets as of September 30, 2022, was equal to \$1,946,877 (net of accumulated depreciation). This investment in capital assets includes land and land rights, buildings, improvements, infrastructure machinery and equipment. The net decrease in the Agency's investment in capital assets for the fiscal year was \$35. Capital assets at year-end included the following:

	Capital Assets	
	2022	2021
Land and land rights	\$ 1,102,175	\$ 1,102,175
Buildings and improvements	343,820	343,820
Public domain infrastructure	1,028,881	1,028,881
System infrastructure	120,681	120,681
Improvements other than buildings	10,635	10,635
Machinery, equipment and other	244,441	158,082
Subtotal	2,850,633	2,764,274
Less accumulated depreciation	903,756	817,362
Total	\$ 1,946,877	\$ 1,946,912

Additional information on all capital assets can be found in Note 3 of the notes to the financial statements.

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY

(A Component Unit of the City of Sebastian)

Management's Discussion and Analysis

Economic Factors

The City of Sebastian places significant emphasis on encouraging economic development in the downtown redevelopment area (Agency). During the fiscal year, work continued on promoting economic activity the CRA area in order to show case it's potential for further development. Increasing property values should continue to help overall economic conditions and assist in furthering the vision of the City Council, which is to have a vibrant and successful downtown area. The area now contains several retail centers, a mixed-use facility, multiple restaurants and hotels. The City of Sebastian continues to work closely with the County to provide an economic environment that attracts new business to our community. A focus for the coming year will be to consider the creation of an additional event area adjoining Riverview Park which will have a positive impact to the business district. Other efforts will include further improvements to the Working Waterfront to enhance its attraction to the public.

Financial Contact

The Agency's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, contact the City's Director of Administrative Services or Accounting administrator at City Hall.

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BASIC FINANCIAL STATEMENTS

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Sebastian)

Statement of Net Position

September 30, 2022

	Governmental Activities
Assets	
Current assets	
Cash	\$ 502,708
Investments	125,689
Lease receivable	51,918
Prepaid items	395
Total current assets	<u>680,710</u>
Noncurrent assets	
Capital assets being depreciated, net	<u>1,946,877</u>
Total assets	<u>2,627,587</u>
Liabilities	
Accounts payable	<u>1,611</u>
Deferred inflows of resources	
Deferred lease amounts	<u>51,214</u>
Net position	
Investment in capital assets	1,946,877
Restricted for Community Redevelopment Agency	<u>627,885</u>
Total net position	<u><u>\$ 2,574,762</u></u>

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

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Sebastian)

Statement of Activities

For the Year Ended September 30, 2022

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Capital Contributions	Governmental Activities
Primary government				
Governmental activities:				
Economic environment	\$ 378,362	\$ 36,704	\$ 86,358	\$ (255,300)
General revenues:				
Property taxes				385,665
Investment income				5,813
Transfers				<u>(49,572)</u>
Total general revenues and transfers				<u>341,906</u>
Change in net position				86,606
Net position, beginning of year				<u>2,488,156</u>
Net position ending of year				<u>\$ 2,574,762</u>

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

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Sebastian)

Balance Sheet

September 30, 2022

Assets

Cash	\$ 502,708
Investments	125,689
Lease receivable	51,918
Prepaid items	<u>395</u>

Total assets

\$ 680,710

Liabilities

Accounts payable	<u>\$ 1,611</u>
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Deferred inflows of resources

Deferred lease amounts	<u>51,214</u>
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Fund balance

Nonspendable for prepaid items	395
Restricted for:	
Community Redevelopment	<u>627,490</u>

Total fund balances

627,885

Total liabilities, deferred inflows of resources and fund balance

\$ 680,710

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

**RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Sebastian)**

Reconciliation

Fund Balance of Governmental Fund
to Net Position of Governmental Activities
September 30, 2022

Fund balance - governmental fund	\$ 627,885
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Amounts reported for *governmental activities* in the statement of activities are different because:

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

Governmental capital assets	\$ 2,850,632	
Less accumulated depreciation	<u>(903,755)</u>	<u>1,946,877</u>

Net position of governmental activities	<u><u>\$ 2,574,762</u></u>
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The accompanying notes are an integral part of these basic financial statements.

**RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Sebastian)**

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended September 30, 2022

Revenues	
Property taxes	\$ 385,665
Rental income	36,704
Investment income	<u>5,813</u>
Total revenues	428,182
Current expenditures	
Economic environment	<u>291,969</u>
Excess of revenues over expenditures	136,213
Other financing uses	
Transfers out to others funds of the City of Sebastian, Florida	<u>(49,572)</u>
Net change in fund balance	86,641
Fund balance, beginning of year	<u>541,244</u>
Fund balance, end of year	<u><u>\$ 627,885</u></u>

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

**RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Sebastian)**

Reconciliation

Net Change in Fund Balance of Governmental Fund
to Change in Net Position of Governmental Activities
For the Year Ended September 30, 2022

Net change in fund balance - governmental fund \$ 86,641

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 depreciated over their estimated useful lives.

Capital assets purchased	86,358
Less current year depreciation	<u>(86,393)</u>

Change in net position of governmental activities \$ 86,606

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

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NOTES TO FINANCIAL STATEMENTS

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY (A Component Unit of the City of Sebastian)

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *City of Sebastian Riverfront Community Redevelopment Agency* (the "Agency") was formally established in March, 1995, with the adoption of Ordinance No 0-95-08 by the Sebastian City Council, as provided for in Section 163.356, Florida Statutes. In 1995, the Riverfront Community Redevelopment Plan was adopted and the Riverfront CRA Trust Fund was established. The boundary was expanded in 2003, as well as the Redevelopment Plan. The Redevelopment Plan was again updated in 2010. Although legally separate, the five (5) members of the City Council serve as the CRA Board and City management has operational responsibility for the CRA.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

Reporting Entity

There CRA has adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, for the purpose of evaluating whether it has any component units. Based on the criteria therein, the Agency has determined that there are no component units that meet the criteria for inclusion in the Agency's financial statements. The Board of the Agency (the Board) is governed by the five members of the City Council. Management of the City has operational responsibility for the Agency. The City is considered to be financially accountable for the Agency; the Agency is considered to be a blended component unit in the City's annual comprehensive financial report.

Government-wide and Fund Financial Statements

The Agency's basic financial statements include both the government-wide (reporting the Agency as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental.

The government-wide Statement of net position presents in columnar format the governmental activities of the Agency and reflects, on the full accrual basis, all long-term assets and receivables as well as long-term liabilities.

The government-wide statement of activities presents the direct cost for each functional activity and applies program revenues to arrive at a net cost for the identified functions. There are no indirect costs for allocation. Program revenues must be directly associated with the government function. The overall combined net costs of governmental functions are further supported by general revenues of the Agency.

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY (A Component Unit of the City of Sebastian)

Notes to Financial Statements

Separate financial statements are provided for governmental funds. A reconciliation is provided which briefly explains adjustments necessary to reconcile the results of governmental fund accounting to the government-wide presentations.

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, except for expenditure-driven grants which must be collected within one year. 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.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such 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.

Assets, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The Agency considers all assets held in the City of Sebastian's pooled cash and investments to be cash equivalents because the investments in the pool are not identifiable to specific funds and the assets can be withdrawn at anytime, similar to a demand deposit account.

Leases

Lessor. The Agency is a lessor for noncancellable leases of certain properties. The Agency recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY

(A Component Unit of the City of Sebastian)

Notes to Financial Statements

At the commencement of a lease, the Agency initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Agency determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The Agency uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. The City defines capital assets 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, if purchased, and at estimated acquisition cost at date of gift, if donated. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are expensed.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

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

	Years
Buildings and improvements	10-40
Public domain infrastructure	40-50
System infrastructure	15-30
Improvements other than buildings	10-40
Machinery, equipment and other	5-15

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY (A Component Unit of the City of Sebastian)

Notes to Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the financial statements 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The statements of net position and governmental funds balance sheet report deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease.

Net Position

The government-wide financial statements utilize a net position presentation. Net position is presented in three components - net investment in capital assets, restricted and unrestricted. The net investment in capital assets component consists of capital assets less accumulated depreciation and any related long-term debt. The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. The unrestricted component of net position is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position. When both restricted and unrestricted resources are available for use, it is the option of the Agency to use restricted resources first, then unrestricted resources as they are needed.

Fund Equity

Governmental funds report nonspendable fund balance for 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 is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City Council has the authority and reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY (A Component Unit of the City of Sebastian)

Notes to Financial Statements

Budgetary information

The budget is prepared annually on a modified accrual basis with encumbrance accounting. All annual appropriations lapse at year end.

On or before the third Friday in May of each year, the government submit requests for appropriations to the government's City Manager so that a budget may be prepared. Before July 31, the proposed budget is presented to the government's council for review. The council holds budget workshops and public hearings and a final budget must be prepared and adopted no later than September 30.

Actual results of operations presented in accordance with U.S. generally accepted accounting principles (GAAP basis) and the Agency'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 Agency's legally adopted budget.

Tax Increment Revenue

The Agency's primary source of revenue is tax-increment funds. This revenue is computed by applying the respective operating tax rates for the City and the County multiplied by the increased value of property located within the boundaries of the redevelopment areas of the Agency in excess of the base property value, minus 5%. Assessed values are established by the Indian River County Property Appraiser.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. EQUITY IN POOLED CASH AND INVESTMENTS OF THE CITY OF SEBASTIAN, FLORIDA

The Agency reported equity in pooled cash and investments of the City of Sebastian, Florida of \$628,397 on the statement of net position as of September 30, 2022. The pooled cash and investments are held by the City of Sebastian, Florida. Specific deposit and investment accounts are not held in the name of the Agency. The amount of federal depositary insurance and custodial credit risk of investments is determined for the City of Sebastian, Florida as a whole, and cannot be separately identified for the Agency. Information regarding interest rate risk and credit risk can be found in the City of Sebastian, Florida's Annual Comprehensive Financial Report.

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Sebastian)

Notes to Financial Statements

3. CHANGE IN CAPITAL ASSETS

The Agency capital asset activities for the year ended September 30, 2022, was as follows:

	Beginning Balance 10/01/2021	Additions	Disposals	Ending Balance 09/30/2022
Governmental activities				
Depreciable assets	\$ 2,764,274	\$ 86,358	\$ -	\$ 2,850,632
Less accumulated depreciation	817,362	86,393	-	903,755
Governmental activities capital assets, net	<u>\$ 1,946,912</u>	<u>\$ (35)</u>	<u>\$ -</u>	<u>\$ 1,946,877</u>

4. LEASES

Lessor - The Agency is involved in one agreement as a lessor that qualifies as a long-term lease agreement. Below is a summary of the agreement. The agreement qualifies as a long-term lease agreement as the Agency will not surrender control of the assets at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended September 30, 2022 was \$34,143.

Remaining Term of Agreements

Asset Type

Buildings 18 months

Lease receivable activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities				
Leases receivable	<u>\$ 85,357</u>	<u>\$ -</u>	<u>\$ (33,439)</u>	<u>\$ 51,918</u>

Leases receivable in the amount of \$17,476 are not expected to be collected within one year.



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REQUIRED SUPPLEMENTARY INFORMATION

RIVERFRONT COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Sebastian)

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Year Ended September 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 431,641	\$ 431,641	\$ 385,665	\$ (45,976)
Rental income	36,000	36,000	36,704	704
Investment earnings	4,780	4,780	5,813	1,033
Total revenues	<u>472,421</u>	<u>472,421</u>	<u>428,182</u>	<u>(44,239)</u>
Expenditures				
Current:				
Economic environment	<u>320,827</u>	<u>330,778</u>	<u>291,969</u>	<u>(38,809)</u>
Revenues over expenditures	<u>151,594</u>	<u>141,643</u>	<u>136,213</u>	<u>(5,430)</u>
Other financing sources (uses)				
Transfers in from other funds of the City of Sebastian, Florida	123,406	15,287	-	(15,287)
Transfers out to other funds of the City of Sebastian, Florida	<u>(275,000)</u>	<u>(156,930)</u>	<u>(49,572)</u>	<u>(107,358)</u>
Total other financing sources (uses)	<u>(151,594)</u>	<u>(141,643)</u>	<u>(49,572)</u>	<u>92,071</u>
Net changes in fund balance	-	-	86,641	86,641
Fund balance, beginning of year	<u>541,244</u>	<u>541,244</u>	<u>541,244</u>	-
Fund balance, end of year	<u>\$ 541,244</u>	<u>\$ 541,244</u>	<u>\$ 627,885</u>	<u>\$ 86,641</u>

OTHER REPORTS

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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 PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

March 7, 2023

The Honorable Mayor
and City Council Members
City of Sebastian Riverfront Community Redevelopment Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of **City of Sebastian Riverfront Community Redevelopment Agency** (the "Agency"), a blended component unit of the City of Sebastian, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 7, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and 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. However, material weaknesses or significant deficiencies may exist that have not been identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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*.

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 Agency'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.

Rehmann Lobson LLC

INDEPENDENT AUDITORS' MANAGEMENT LETTER

March 7, 2023

The Honorable Mayor
and City Council Members
City of Sebastian Riverfront Community Redevelopment Agency

Report on the Financial Statements

We have audited the financial statements of the **City of Sebastian Riverfront Community Redevelopment Agency** (the "Agency"), a blended component unit of the City of Sebastian, Florida, as of and for the fiscal year ended September 30, 2022 and have issued our report there dated March 7, 2023.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and 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 March 7, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial report. There were no such items pertaining to the Agency disclosed in the preceding annual financial audit report of the City of Sebastian, Florida.



Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Sebastian, Florida, Riverfront Community Redevelopment Agency, was created pursuant to Florida Statute 163.356 and City Ordinance No 0-95-08. The Agency 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 Agency 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 Agency, 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 Agency. It is management's responsibility to monitor the City of Sebastian, Florida'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 the 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.

Special District Component Units

Section 10.554(1)(i)5.c. Rules of the Auditor General, requires that we determine, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit with the audited financial statements of the county, municipality, or special district with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Specific Information for a Dependent Special District

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

- a. The total number of CRA employees compensated in the last pay period of the CRA's fiscal year was 1.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the CRA's fiscal year was 1.

- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was \$92,655.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency was \$113,108.
- e. Each construction project with a total cost of at least \$65,000 approved by the CRA that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project was \$0, as there were no such projects.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the CRA amends a final adopted budget under Section 189.016(6), Florida Statutes. The budget variance is presented on page 32.

Additional Matters

Sections 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 have 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, City Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Robson LLC

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**INDEPENDENT ACCOUNTANTS' REPORT
REGARDING COMPLIANCE REQUIREMENTS IN RULES OF
THE AUDITOR GENERAL 10.556(10)f**

March 7, 2023

The Honorable Mayor
and City Council Members
City of Sebastian Riverfront Community Redevelopment Agency

We have examined the **City of Sebastian Riverfront Community Redevelopment Agency** the "Agency") a blended component unit of the City of Sebastian, Florida, compliance with the requirements of section 163.387(6) and (7), Florida Statutes during the year ended September 30, 2022. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the America Institute of Certified Public Accountants and, accordingly, included examine, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, the City of Sebastian Riverfront Community Redevelopment Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

Rehmann Lobson LLC



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

March 7, 2023

The Honorable Mayor
and City Council Members
City of Sebastian Riverfront Community Redevelopment Agency

We have examined the *City of Sebastian Riverfront Community Redevelopment Agency's* (the "Agency's") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2022. Management of the Agency is responsible for the Agency's compliance with the specified requirements. Our responsibility is to express an opinion on the Agency's compliance with the specified requirements based on our examination.

Independent Accountants' Responsibility

Our responsibility is to express an opinion on the Agency's compliance with those 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 Agency is in compliance with specified requirements established by Florida Statute and performing such procedures as we considered necessary in the circumstances.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

Opinion

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

Purpose of this Report

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

Rehmann Lobson LLC

