

**SEBASTIAN RIVER
IMPROVEMENT DISTRICT**

Financial Statements

September 30, 2019

(With Independent Auditors' Report Thereon)

SEBASTIAN RIVER IMPROVEMENT DISTRICT

Contents

September 30, 2019

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CPA Associates, LLP

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Independent Auditor's Report

The Board of Supervisors
Sebastian River Improvement District
Vero Beach, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's 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 auditor's 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, each major fund, and the aggregate remaining fund information of the District as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 19 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 June 17, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sebastian River Improvement District's internal control over financial reporting and compliance.

CFA Associates, LLP

June 17, 2020
Vero Beach, Florida

SEBASTIAN RIVER IMPROVEMENT DISTRICT
Management Discussion and Analysis
for the Fiscal Year ending September 30, 2019

The Sebastian River Improvement District (SRID), offers readers of the SRID's Annual Financial Report, this narrative overview of the financial activities identified within the SRID for the fiscal year (FY) ending September 30, 2019. This specific review period comprises the SRID FY 2019 financial period (October 1, 2018 through September 30, 2019). This overview is required by generally accepted accounting principles (GAAP) in the United States of America in Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements—Management Discussions and Analysis—for State and Local Governments (GASB 34). Please review this narrative in conjunction with the SRID's basic financial statements—Annual Financial Report September 30, 2019, which is included as part of this informational packet.

Background

The Sebastian River Drainage District was organized and created initially under Florida Statutes, Chapter 298, by approval of the Indian River County Circuit Court on May 18, 1927. The initial court filings for the Sebastian River Drainage District, envisioned an area in excess of 50,000 acres extending westward past the present alignment of Interstate 95 and adjoining the then eastern boundary of the City of Fellsmere. Unfortunately, when the 1920's boom period went bust in the late 1920's, it resulted in a dramatic economic downturn. The original Plan of Reclamation was modified in the late 1930's to reflect the current SRID jurisdictional area of approximately 10,000 taxable acres. The Sebastian River Drainage District became the Sebastian River Water Control District, and eventually the Sebastian River Improvement District in June of 2007.

The SRID is governed by a three (3) member Board of Supervisors elected to a staggered three year terms by the landowners within the jurisdictional boundaries of the SRID. In accordance with Florida Statutes, the Board of Supervisors are authorized to act as necessary and prudent to manage surface water matters within the boundaries of the SRID. The administrator function of the SRID is performed in accordance with an agreement between the Special District Services, Inc. and the SRID. In addition to the Administrator position, the SRID also employs the professional services of an engineer, attorney and an accountant. Presently, the SRID has no directly employed full or part-time employees. The SRID relies on contractual services to perform SRID maintenance activities.

Financial Highlights

The SRID's primary revenue source is the annual assessment levied against landowners within the SRID jurisdictional area. The assessment, in accordance with state statutes governing the SRID, is assessed on a per acre basis or fraction thereof. For the fiscal year period ending September 30, 2019, the per acre assessment was \$17.50 per acre, which is a one dollar per acre increase over the previous FY 2018 period. SRID assessments are collected through the local county tax collection office for which the SRID pays a commission fee for the associated services. For the FY 2019 budget period, approximately 90% of the annual anticipated budgeted revenue (income) was projected to come from the annual per acre assessment. The balance of the budgeted revenues consists of bank interest on deposited monies and Right of Way application and use fees. At times,

and as dictated by prevailing conditions and opportunities, the revenues and expenses of the SRID can be significantly influenced by monies received through the sale of declared surplus properties under the ownership of the SRID. Also, as applicable, monies may be received for Hurricane repairs/restoration and mitigation as administered by FEMA and the State of Florida. The SRID may be awarded Grants from the United States Department of Agriculture-Natural Resource Conservation Services (USDA/NRCS) through their Emergency Watershed Protection program in conjunction with Hurricane recovery and mitigation activities. These grants may require a twenty-five percent match from the applicant, i.e. the SRID.

The SRID has a permit process which includes a non-refundable application fee. This fee is collected to offset the administrative costs associated with the application, including plan reviews, site visits and project discussions. The application process also includes a retainer fee. The intent of this retainer fee is to provide the SRID some protection in the recovery of fees from the applicant for necessary professional services contracted by the SRID for the effective review of the permit application. Presently the retainer fee is \$2,500, and typically involves engineering and attorney services required as part of the project review process. Should the fees associated with the specific project review exceed the initial retained amount, then the applicant will be required to submit additional fees. Conversely, at the completion of the project application process, should the total review fees be less than the retained amount, the balance is returned to the applicant/representative upon the submission of all finalization documentation as required in the permit process and as accepted by the SRID. Given the complexities of some of the reviewed components of developments and land use changes, SRID project review expenses as billed by the SRID consultants have the potential to create a significant liability owed to the SRID by the applicant. To counter that potential, the SRID per Board directive implemented the aforementioned retainer fee.

Given the implemented assessment amount when compared to planned expenses, the SRID budgets for little financial cushion to absorb any out of the ordinary expenses associated with the daily operation and maintenance of the SRID or in the delinquent payment of any billable project review matters.

The SRID budget is divided into two basic categories, Professional Services (Administration-Engineering-Legal-Accounting) and Maintenance Services. For the budget period ending September 30, 2019, the Professional Services portion of the final budget totaled \$158,215 or 56%, of the total budget, while the Maintenance portion totaled \$124,377 or 44%, of the total budget. These amounts when compared to the previous FY 2018 final budget represented a 14% increase in budgeted Professional Fees, and a 30% increase in budgeted Maintenance expenditures. As the enclosed financial statements indicate, the SRID's Fund Balance at the end of the year remained in a positive position for the fiscal year period ending September 30, 2019. All SRID monetary assets are deposited in Qualified Public Depository institutions.

The total revenues for the period ending September 30, 2019 of \$202,504 was lower than the total final budgeted revenues of \$205,533 by \$3,029, or approximately 1.5%. The total expenditures for the period ending September 30, 2019 of \$267,925 was lower than the total final budgeted expenditures of \$282,592 by \$14,667, or approximately 5%. Overall, for the period ending September 30, 2019, the total revenues of \$202,504 were less than the total expenditures of \$267,925 by \$65,421.

The SRID is involved in ongoing Basin Management Action Plan discussions with the Florida Department of Environmental Protection, Florida Department of Agriculture and Consumer Services and the St. Johns River Water Management District.

The fund balance for the end of FY 2019 was \$53,796. The beginning of the fiscal year balance was \$119,217, thus reflecting the actual vs. budgeted costs of operating and maintaining the District.

Using This Annual Report

This annual report consists of a series of financial statements as assembled under the document titled, Annual Financial Report (With Independent Auditors' Report Thereon). The Statement of Net Assets and the Statement of Activities are found on pages 7 and 8 of the audit report, while the Balance Sheet-Government Funds and Statement of Revenues, Expenditures and Changes in Fund Balance are found on pages 9 and 10. Notes to Financial Statements comprise pages 11 through 17. The Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-General Fund complete the report.

Capital Assets

The SRID has three primary structural components recognized as capital assets. The primary water control structures, commonly referred to as the Three Gated Structure on SRID Lateral C and the Two Gated Structure on SRID Lateral L, were re-designed and modified in conjunction with updates to the original Plan of Reclamation for the Sebastian River Drainage District during the late 1950's and early 1960 time period. The third asset structure is a culvert built in the early 1990's within the SRID's by-pass lateral system.

Future Economic Considerations

The shift of the SRID from an agricultural drainage district with historic roots in citrus and cattle grazing, to one of a suburbia, continues to present challenges and impacts to the financial condition of the SRID. From a revenue generation position, the future of revenue production within the assessment area of the SRID may increase as a result of increased housing units within the SRID. However, in the interlude time, the current assessed base for revenues is still rooted in the land as it exists currently. Also, in concert with the potential for growth within the region, property/easement owned by the SRID may be declared surplus to the needs of the SRID as determined by the SRID Board of Supervisors and as such, may be sold to the adjacent parties to that right of way/easement. As with any potential growth situation, the demands and expectations of the assessed residents within those jurisdictional areas may also increase along with the demands placed on the overall system, and as a result, may require adjustments to the assessment base. Additionally, continual dialogue in regard to water quality and storm water runoff impacts in concert with the ongoing debates and legal challenges may, when implemented, may cause significant economic hardship to the SRID landowners in regard to potential compliance matters required of the SRID relative to water quality.

Given economic factors impacting agricultural conversion to development, the SRID economic future may need to look at alternative land-use initiatives, both on a short-term as well as a long-term basis. Conversations have been ongoing with applicable parties in this regard.

Request for Information

This financial report is designed to provide a general overview of the SRID's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sebastian River Improvement District, management services at Special District Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410.

SEBASTIAN RIVER IMPROVEMENT DISTRICT
Statement of Net Position
September 30, 2019

Assets	Governmental <u>Activities</u>
Current assets:	
Cash (note 2)	\$ 140,606
Restricted assets:	
Cash (notes 2 and 5)	56,736
Account receivable	<u>5,835</u>
Total current assets	<u>203,177</u>
 Total assets	 <u>203,177</u>
 Liabilities	
Current liabilities:	
Accounts payable	72,676
Deferred revenue (note 4)	4,125
Refundable deposits and retainers (note 5)	15,844
Escrow deposit (notes 2 and 5)	<u>56,736</u>
Total current liabilities	<u>149,381</u>
 Contingency (note 8)	
 Net position	
Unrestricted	<u>53,796</u>
Total net position	<u>53,796</u>
 Total liabilities and net position	 \$ <u>203,177</u>

See accompanying notes to the basic financial statements.

SEBASTIAN RIVER IMPROVEMENT DISTRICT
Statement of Activities
Year ended September 30, 2019

		<u>Program Revenues</u>			Net (Expenses) Revenues and Changes in Net Position
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>
Governmental activities					
Administration	\$ 148,476	-	-	-	(148,476)
Maintenance of laterals and sublaterals	<u>119,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(119,449)</u>
	<u>\$ 267,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(267,925)</u>
General revenues					
					174,838
Special assessments, net					18,360
Permit fees					4,419
Other revenues					<u>4,887</u>
Interest					<u>202,504</u>
Total general revenues					
Change in net position					(65,421)
Net Position, beginning of year					<u>119,217</u>
Net Position, end of year					<u>\$ 53,796</u>

See accompanying notes to the basic financial statements.

SEBASTIAN RIVER IMPROVEMENT DISTRICT
Balance Sheet
Governmental Funds
September 30, 2019

Assets

Cash (note 2)	\$ 140,606
Restricted assets - cash (notes 2 and 5)	56,736
Accounts receivable	<u>5,835</u>
Total assets	<u>203,177</u>

Liabilities and fund balance

Liabilities:

Accounts payable	72,676
Deferred revenue (note 4)	4,125
Refundable deposits and retainers (note 5)	15,844
Escrow deposit (notes 2 and 5)	<u>56,736</u>
Total liabilities	<u>149,381</u>

Contingency (note 8)

Fund balance:

Unassigned	<u>53,796</u>
Total fund balance	<u>53,796</u>

Total liabilities and fund balance	<u>\$ 203,177</u>
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See accompanying notes to the basic financial statements.

SEBASTIAN RIVER IMPROVEMENT DISTRICT
**Statement of Revenues, Expenditures and Changes
in Fund Balance**
Year ended September 30, 2019

Revenues

Special assessments, net	\$ 174,838
Permit fees	18,360
Other revenues	4,419
Interest	<u>4,887</u>

Total revenues	<u>202,504</u>
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Expenditures

Administrative costs	148,476
Maintenance of laterals and sublaterals	<u>119,449</u>

Total expenditures	<u>267,925</u>
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Excess of expenditures over revenues	<u>(65,421)</u>
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Change in fund balance	(65,421)
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Fund balance

Beginning of year	<u>119,217</u>
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End of year	\$ <u><u>53,796</u></u>
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See accompanying notes to the basic financial statements.

SEBASTIAN RIVER IMPROVEMENT DISTRICT
Notes to Financial Statements
September 30, 2019

(1) **Summary of Significant Accounting Policies**

The Sebastian River Improvement District (the “District”), was organized and created under Chapter 298, Florida Statutes, by approval of the Indian River County Circuit Court on May 18, 1927. The District is comprised of approximately 10,000 acres. The District was converted to a multi-purpose improvement district, by approval of the Governor of the State of Florida on June 26, 2007. The District is governed by a Board of Supervisors composed of three members elected for terms of three years and is authorized to act as is necessary and prudent in accordance with Chapter 298, Florida Statutes, and other relevant statutes, to control water drainage within the boundaries of the District. As a multi-purpose improvement district, 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 city would provide, with the exception of public safety, and 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; is empowered to sell bonds to pay for capital improvements, and is authorized to create units of development within the District.

The accounting policies of the Sebastian River Improvement District conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Reporting Entity

As required by GAAP, these financial statements present the Sebastian River Improvement District (the primary government) as a stand-alone government. The reporting entity for the District includes all functions of government in which the District’s Board of Supervisors exercises oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based on the application of the above-mentioned criteria as set forth in Governmental Accounting Standards Board Statement Number 14, The Financial Reporting Entity, The District has identified no component units.

Government-Wide and Fund Accounting

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. The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

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SEBASTIAN RIVER IMPROVEMENT DISTRICT
Notes to Financial Statements
September 30, 2019

(1) **Summary of Significant Accounting Policies (Continued)**

Government-Wide and Fund Accounting (Continued)

Program revenues include special assessments levied upon landowners within the District. Separate financial statements are provided for the governmental funds. The District's only fund, the general fund, is a governmental fund and is used to account for the District's general government activities and is reported as a separate column in the fund financial statements.

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 the related cash flows. Special assessments are recognized as revenues in the year for which they are levied.

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 District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Special assessments and grants associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Budgets and Budgetary Accounting

An annual budget is prepared for the General Fund. The budgeted amounts presented in the Required Supplementary Information are as approved by the District's Board of Supervisors for the year ended September 30, 2019. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgetary control is established by the District through non-appropriated budget for the General Fund.

Net position

Net position presents the difference between assets and liabilities in the statement of net position.

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SEBASTIAN RIVER IMPROVEMENT DISTRICT
Notes to Financial Statements
September 30, 2019

(1) **Summary of Significant Accounting Policies (Continued)**

Net position (Continued)

It is displayed in three components:

- A. Net investment in capital assets – Consists of net capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds that are attributed to the acquisition, construction, or improvement of those assets.
- B. Restricted net position – Consists of net position with constraints placed on their use by revenue bond resolution. Restricted net position is restricted assets reduced by liabilities related to the restricted assets.
- C. Unrestricted – Consists of all other net position that do not meet the definition of the above two components.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. Management makes this decision on a transactional basis at the incurrence of the expenditure, depending on the intended use and legal requirements.

Governmental Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

- A. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- B. Restricted – Amounts that can be spent only for specific purposes because of the District, state or federal laws, or externally imposed conditions by grantors or creditors.
- C. Committed – Amounts that can be used only for specific purposes determined by a formal action by the District's Board of Supervisors.
- D. Assigned – Amounts that are designated by the District for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by District's Board of Supervisors.
- E. Unassigned – All amounts not included in other spendable classifications.

(Continued)

SEBASTIAN RIVER IMPROVEMENT DISTRICT
Notes to Financial Statements
September 30, 2019

(1) **Summary of Significant Accounting Policies (Continued)**

Governmental Fund Balance (Continued)

For the classification of Governmental Fund balances, management considers expenditure to be made from the most restrictive first when more than one classification is available.

General Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date received. Public domain (infrastructure) capital assets are capitalized and consist of drainage systems.

Depreciation is calculated using the straight line method over the estimated useful lives.

Special Assessments

The District's taxpayer assessment revenue (non ad-valorem) is levied through Indian River County based on the approved budget submitted to the County by the District before September 1 of each tax year. The assessment is included in the County's property tax levy which begins each November 1, becomes a lien on the first day of the levy year and is due on or before March 31.

The assessment rate assessed by the District for the year ended September 30, 2019 was \$17.50 per acre.

Economic Conditions

The land in the District is primarily agricultural, including citrus groves, cattle and sand mining operations. The landowner's in the District are impacted by the financial condition of those industries.

(2) **Cash and Cash Equivalent**

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral for their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District had deposits only with qualifying institutions as of September 30, 2019. All

(Continued)

SEBASTIAN RIVER IMPROVEMENT DISTRICT
Notes to Financial Statements
September 30, 2019

(2) Cash and Cash Equivalent (Continued)

cash is fully insured through the FDIC or collateralized by the multiple financial institution collateral pool established by Chapter 280, Florida Statutes.

The District is authorized to invest in those financial instruments as established by Florida Statute 218.415.

The authorized investments consist of:

- A. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Florida Statute 163.01.
- B. Securities and Exchange Commission ("SEC") registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- C. Interest-bearing time deposits or savings accounts in qualified public depositories.
- D. Direct obligations of the United States Treasury and instruments issued by Federal agencies.

Cash and cash equivalent at September 30, 2019 consist of:

Unrestricted Funds	
Demand deposit accounts	\$ <u>140,606</u>
Total unrestricted funds	<u>140,606</u>
Restricted Funds	
Money market accounts	<u>56,736</u>
Total restricted funds	<u>56,736</u>
Total cash and cash equivalent	\$ <u>197,342</u>

(3) Capital Assets

The District's capital assets and the estimated years that they were built are as follows:

3 Gated Structure (Lateral C)	1960
2 Gated Structure (Lateral L)	1960
By Pass Culvert with Riser	1990

The capital assets were fully depreciated as of September 30, 2019.

(Continued)

SEBASTIAN RIVER IMPROVEMENT DISTRICT
Notes to Financial Statements
September 30, 2019

(4) Deferred Revenue

Deferred revenue consists of amounts received for the future use of the District's right of ways by a public service utility and a housing development. Amounts will be recognized as revenue in the period covered by the contract, which was \$13,660 as of September 30, 2019. There was \$4,125 in deferred revenue at September 30, 2019. The term of the right of way agreements will expire on March 1, 2020 for the housing developer and September 30, 2022 for the public pipeline. The term of the right of way agreement expired on September 1, 2019 for the public service utility.

(5) Refundable Deposits, Retainers and Escrows

Applicants pay professional fees in advance with easement applications, which may be refundable. The deposit was meant to be held short-term and returned to applicant net of related expenses incurred by the District on final notification/completion of the project. The deposits held by the District as of September 30, 2019 were \$15,844. Given the complexities of some of the components of developments and land use changes, the district project review expenses as billed by the District consultants have the potential to create a significant liability owed to the District by the applicant.

The District implemented a separate retainer as opposed to a professional deposit to offset any potential shortfalls associated with this review process through the failure of the applicant to make timely reimbursement to the District. The retainers held by the District were \$0 for open projects at September 30, 2019.

During fiscal year ended September 30, 2019, the Districted held a bond escrow that was required to be furnished by a licensee for the value of future restoration costs. The escrows held by the District as of September 30, 2019 was \$56,736.

(6) Risk Management

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of property; errors and omissions, and natural disasters. The District has obtained insurance coverage through an insurance agency, which provides the District with general liability and directors' and officers' coverage.

(7) Management of Sebastian River Improvement District

Sebastian River Improvement District employed Special District Services out of Palm Beach Gardens, Florida, to provide general management functions.

(Continued)

SEBASTIAN RIVER IMPROVEMENT DISTRICT
Notes to Financial Statements
September 30, 2019

(8) **Contingencies**

Amounts received or receivable from federal grant agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

(9) **Subsequent Events**

Management has evaluated subsequent events through June 17, 2020, the date of which the financial statements were available to be issued. A civil lawsuit has been filed by the Estate of Hugh Corrigan, IV, et al. versus the Sebastian River Improvement District subsequent to the year end of September 30, 2019, but a conclusion on this matter has not been reached. No other significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

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

SEBASTIAN RIVER IMPROVEMENT DISTRICT
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - General Fund
Year ended September 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments, net	\$ 165,210	174,838	174,838	-
Permit fees	19,765	19,465	18,360	(1,105)
Other revenues	-	6,343	4,419	(1,924)
Interest	<u>840</u>	<u>4,887</u>	<u>4,887</u>	<u>-</u>
Total revenues	<u>185,815</u>	<u>205,533</u>	<u>202,504</u>	<u>(3,029)</u>
Expenditures:				
Administrative costs	89,818	158,215	148,476	9,739
Maintenance of laterals and sublaterals	<u>129,377</u>	<u>124,377</u>	<u>119,449</u>	<u>4,928</u>
Total expenditures	<u>219,195</u>	<u>282,592</u>	<u>267,925</u>	<u>14,667</u>
Excess of expenditures over revenues	(33,380)	(77,059)	(65,421)	11,638
Fund balance, beginning of year	<u>119,217</u>	<u>119,217</u>	<u>119,217</u>	<u>-</u>
Fund balance, end of year	\$ <u>85,837</u>	<u>42,158</u>	<u>53,796</u>	<u>11,638</u>

See accompanying auditors' report and notes to the basic financial statements.

**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***

CPA Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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The Board of Supervisors
Sebastian River Improvement District
Vero Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sebastian River Improvement District ("the District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CPA Associates, LLP

June 17, 2020

**INDEPENDENT ACCOUNTANT'S REPORT ON AN EXAMINATION CONDUCTED IN
ACCORDANCE WITH *AICPA PROFESSIONAL STANDARDS*, AT-C SECTION 315,
REGARDING COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH
CHAPTER 10.550, *RULES OF THE STATE OF FLORIDA*
*OFFICE OF THE AUDITOR GENERAL***

CPA Associates, LLP

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Independent Accountant's Report

To the Board of Supervisors
Sebastian River Improvement District
Vero Beach, Florida

We have examined Sebastian River Improvement District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, which addresses the types of authorized investments for units of local government, during the year ended September 30, 2019. Management of Sebastian River Improvement 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 we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, Sebastian River Improvement District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

This report is intended solely for the information and use of the 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.

CPA Associates, LLP

June 17, 2020

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER
10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL**

CPA Associates, LLP

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The Board of Supervisors

Sebastian River Improvement District

Vero Beach, Florida

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Report on the Financial Statements

We have audited the financial statements of the Sebastian River Improvement District, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 17, 2020.

Auditor's 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 on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 17, 2020 should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No findings and recommendations were made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Sebastian River Improvement District was created under the provisions of Florida Statutes, Chapter 298, by approval of the Indian River County Circuit Court on May 18, 1927.

Financial Condition and Management

Section 10.554(1)(i)5.a and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not the Sebastian River Improvement District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Sebastian River 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 Sebastian River Improvement District. It is management's responsibility to monitor the Sebastian River 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(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

CFA Associates, LLP

June 17, 2020