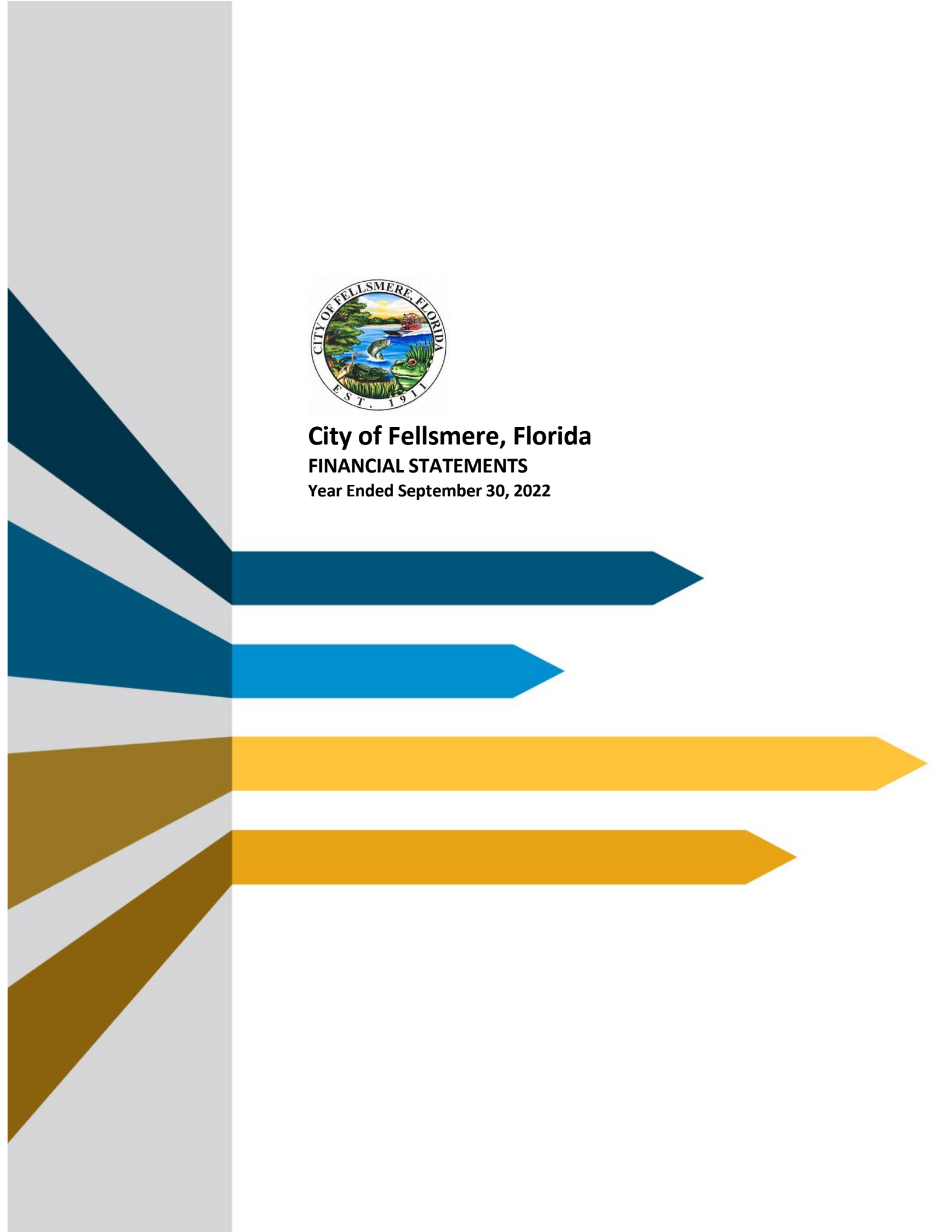




City of Fellsmere, Florida
FINANCIAL STATEMENTS
Year Ended September 30, 2022



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Introductory Section

Title Page..... 1
Table of Contents..... 3
City Officials 7

Financial Section

Independent Auditors’ Report 9
Management’s Discussion and Analysis 13

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position 25
Statement of Activities 27

Fund Financial Statements

Governmental Funds

Balance Sheet – Governmental Funds..... 29
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position..... 30

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds..... 31

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities..... 32

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:
General Fund 33
Infrastructure Fund 34
ARPA Fund 35

Statement of Net Position – Proprietary Funds 37

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary
Funds..... 38

Statement of Cash Flows – Proprietary Funds 39

Notes to Financial Statements 41

Combining and Individual Fund Financial Statements

Nonmajor Governmental Funds:

Combining Balance Sheet..... 72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances..... 74

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City of Fellsmere, Florida
Table of Contents (Continued)
Year ended September 30, 2022



Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual for Community Redevelopment Agency 76

Reports on Internal Control and Compliance Matters

Independent Auditors’ Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards 77

Independent Auditors’ Report On Compliance For Each Major Program And On Internal Control
Over Compliance Required By The Uniform Guidance 79

Schedule of Findings and Questioned Costs 82

Schedule of Expenditures of Federal Awards 85

Corrective Action Plan 87

Independent Auditors’ Management Letter 89

Independent Accountants’ Report on Compliance with Local Government Investment Policies ... 93

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**City of Fellsmere, Florida
City Officials
Year ended September 30, 2022**

Joel Tyson
Mayor

Fernando Herrera
Vice Mayor

Inocensia Hernandez
Gerald Renick
Jessica Salgado
Council Members

Warren W. Dill
City Attorney

Mark D. Mathes, P.E.
City Manager

Maria Suarez-Sanchez
City Clerk

Putnam Moreman, CPA, CGFM
Director of Finance and Accounting

Keith M. Touchberry
Chief of Police

Andy Shelton
Public Works Director

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Fellsmere, Florida

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, and the Infrastructure Fund and ARPA Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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.

Emphasis of Matter

As described in Note 2 to the financial statements, in fiscal year 2022, the City adopted new accounting guidance, GASB Statement No. 87 *Leases*. Our opinion is not modified with respect to this matter.

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 City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 City'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, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fellsmere, Florida's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual for the CRA fund, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated.

If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2023 on our consideration of the City'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 City'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 City's internal control over financial reporting and compliance.

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

Melbourne, Florida

March 8, 2023

City of Fellsmere, Florida Management's Discussion and Analysis

The City of Fellsmere, Florida's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns.

Because Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the City's financial statements.

Financial Highlights

The following are highlights of financial activity for the year ended September 30, 2022:

- The City's assets exceeded its liabilities at the close of the fiscal year 2022 by \$28,484,161 (net position). The City's unrestricted net position (which may be used to meet the City's ongoing obligations to citizens and creditors) amounted to \$2,902,381.
- The City's total net position increased by \$1,566,415, resulting from an increase of \$1,332,772 from Governmental activities and an increase of \$233,643 from Business-type activities. Unrestricted General Fund balance increased to \$1,298,564 from \$1,232,692, and combined ending Governmental fund balances totaled \$2,535,980, an increase of \$622,722 from the previous year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,298,564 or 92.1% of the total general fund balance.
- General fund revenue increased by \$285,431 or 11.6% and expenditures increased by \$350,965 or 13.3%. The increase in revenues is attributable to a larger amount of State tourist related revenue sharing accounts, and across the board increases in every revenue category, as the overall economy rebounded in 2022 versus 2021. After years of budget austerity, we allowed our Police and Public Works departments to make serious improvements in their ageing vehicle fleets, which lead to increased spending in both departments.
- The City reduced its external debt by \$446,905 during the 2022 fiscal year primarily through the refinancing of two outstanding higher interest rate obligations, with one \$2,764,000 Capital Improvement Revenue Refunding note, at an interest rate of 3.22%. This new note replaced debt with average interest rates of 4.5%.
- On September 11, 2017 the City was impacted by Hurricane Irma and the City experienced extensive damage. Over 20" of rain from Irma caused flooding in the basement of City Hall. Our basement damage was almost entirely covered by insurance. The roof on City Hall was impacted by Irma's high winds, and temporary repairs were made to ensure the building stayed dry. We are working with FEMA to obtain funding for the damage caused to our uninsured infrastructure. All other Irma damage claims have been paid by FEMA, except for Direct Administrative Costs. In November 2020, the Florida Department of Emergency Management staff determined that FEMA made an error in their initial calculation of the damage award for our road infrastructure damage claim. As a result, that obligation was remanded back to FEMA for re-computation, using the correct set of tables, as required by the FEMA rules. An initial denial was issued on the mitigation request based on records from 2005 that FEMA thought provided proof

City of Fellsmere, Florida Management's Discussion and Analysis

that Coquina rock was placed on our roads after hurricanes in 2004-2005. We have appealed that decision, as we can show that regular road dirt was placed instead.

Overview of the Financial Statements

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

This report also contains the supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, transportation, and culture and recreation. The business-type activities of the City include water, wastewater, stormwater and community development operations.

The government-wide financial statements can be found on pages 25 through 28 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fellsmere, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental funds and proprietary funds.

City of Fellsmere, Florida Management's Discussion and Analysis

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

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

The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Infrastructure Fund, and ARPA Fund, all of which are considered to be major funds. Data from several other governmental funds are combined into a single, aggregated presentation. Individual fund data for each non-major governmental fund is provided in the form of combining statements.

The City adopts an annual appropriated budget for all governmental funds. Budgetary comparison statements have been provided for the General Fund, Infrastructure Fund, and ARPA Fund, to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 30 through 36 of this report.

Proprietary funds. The City maintains three proprietary funds, all of which are enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for water and wastewater, stormwater system, and community development activities.

Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but those statements provide more detail and additional information, such as cash flows, for proprietary funds. The stormwater system fund is reported as a non-major proprietary fund.

The basic proprietary fund financial statements can be found on 37 through 40 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found starting on page 41 of this report.

City of Fellsmere, Florida
Management's Discussion and Analysis

Government-wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows by \$28,484,161 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$ 6,051,723	\$ 3,719,631	\$ 3,793,478	\$ 2,768,427	\$ 9,845,201	\$ 6,488,058
Capital assets, net	20,328,121	19,660,190	6,348,903	6,499,476	26,677,024	26,159,666
Total assets	26,379,844	23,379,821	10,142,381	9,267,903	36,522,225	32,647,724
Liabilities:						
Noncurrent liabilities	2,412,018	2,454,137	735,361	1,116,191	3,147,379	3,570,328
Other liabilities	3,252,997	1,806,373	406,202	337,369	3,659,199	2,143,742
Total liabilities	5,665,015	4,260,510	1,141,563	1,453,560	6,806,578	5,714,070
Deferred inflows of resources:						
Deferred revenue - business tax receipts	262,746	-	968,740	15,908	1,231,486	15,908
	262,746	-	968,740	15,908	1,231,486	15,908
Net position:						
Net investment in capital assets	18,012,818	17,273,200	5,620,949	5,385,917	23,633,767	22,659,117
Restricted	1,182,397	575,777	765,616	1,105,356	1,948,013	1,681,133
Unrestricted	1,256,868	1,270,334	1,645,513	1,307,162	2,902,381	2,577,496
Total net position	\$ 20,452,083	\$ 19,119,311	\$ 8,032,078	\$ 7,798,435	\$ 28,484,161	\$ 26,917,746

A substantial portion of the City's net position (83%) reflects its investment in capital assets (i.e., land, buildings, other improvements, infrastructure improvements, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The City's net position is also grouped as restricted and unrestricted. Restricted net position is subject to restrictions by external parties on how it may be used. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, and overall for the City as a whole.

City of Fellsmere, Florida
Management's Discussion and Analysis

The following table shows the revenue and expenses of the total primary government:

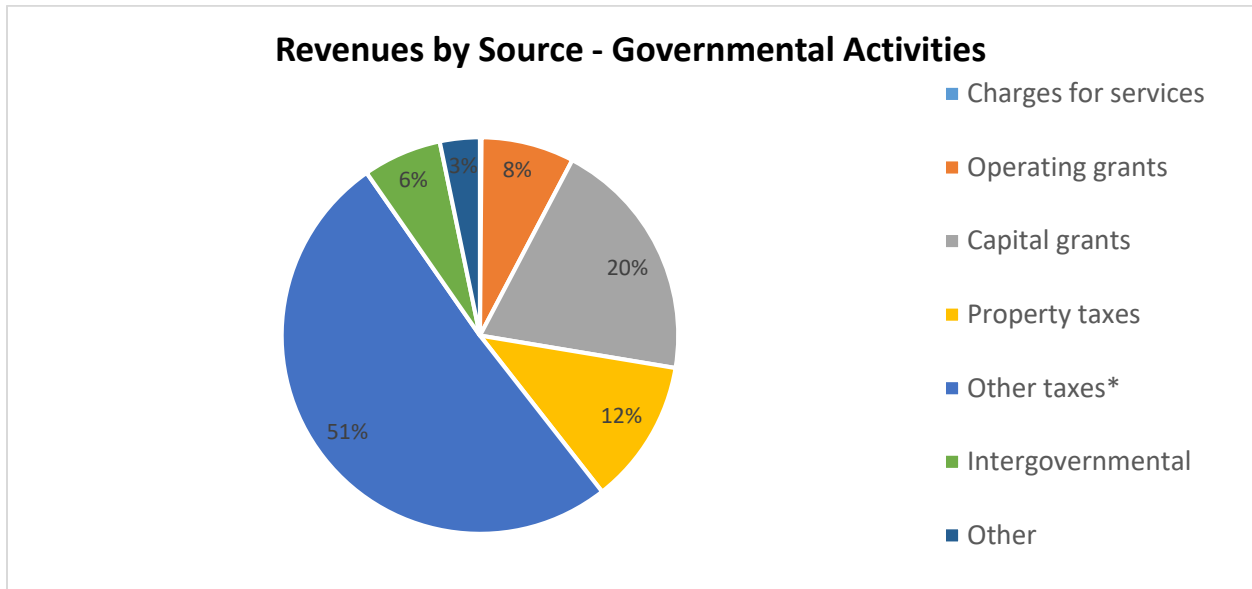
	Governmental Activities		Change in Net Position Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	\$ 7,024	\$ 15,603	\$ 1,825,105	\$ 1,661,634	\$ 1,832,129	\$ 1,677,237
Operating grants	414,271	371,036	-	-	414,271	371,036
Capital grants	1,087,217	468,707	-	-	1,087,217	468,707
General revenues:						
Property taxes	645,066	604,352	-	-	645,066	604,352
Other taxes*	2,778,997	2,545,268	-	-	2,778,997	2,545,268
Intergovernmental	350,852	286,141	-	-	350,852	286,141
Other	177,992	100,847	192,129	115,223	370,121	216,070
Total revenues	<u>5,461,419</u>	<u>4,391,954</u>	<u>2,017,234</u>	<u>1,776,857</u>	<u>7,478,653</u>	<u>6,168,811</u>
Expenses:						
General government	1,328,850	1,222,247	-	-	1,328,850	1,222,247
Public safety	1,182,403	977,433	-	-	1,182,403	977,433
Physical environment	201,797	384,137	-	-	201,797	384,137
Transportation	1,255,969	1,277,593	-	-	1,255,969	1,277,593
Cultural and recreation	335,024	116,119	-	-	335,024	116,119
Interest and fiscal charges	111,884	103,505	-	-	111,884	103,505
Water & Wastewater	-	-	1,159,612	1,031,366	1,159,612	1,031,366
Community development	-	-	309,172	274,538	309,172	274,538
Stormwater system	-	-	27,527	28,186	27,527	28,186
Total expenses	<u>4,415,927</u>	<u>4,081,034</u>	<u>1,496,311</u>	<u>1,334,090</u>	<u>5,912,238</u>	<u>5,415,124</u>
Change in net position, before transfers:	1,045,492	310,920	520,923	442,767	1,566,415	753,687
Transfers	287,280	288,216	(287,280)	(288,216)	-	-
Change in net position	<u>1,332,772</u>	<u>599,136</u>	<u>233,643</u>	<u>154,551</u>	<u>1,566,415</u>	<u>753,687</u>
Net position -beginning of year	<u>19,119,311</u>	<u>18,520,175</u>	<u>7,798,435</u>	<u>7,643,884</u>	<u>26,917,746</u>	<u>26,164,059</u>
Net position - ending	<u>\$ 20,452,083</u>	<u>\$ 19,119,311</u>	<u>\$ 8,032,078</u>	<u>\$ 7,798,435</u>	<u>\$ 28,484,161</u>	<u>\$ 26,917,746</u>

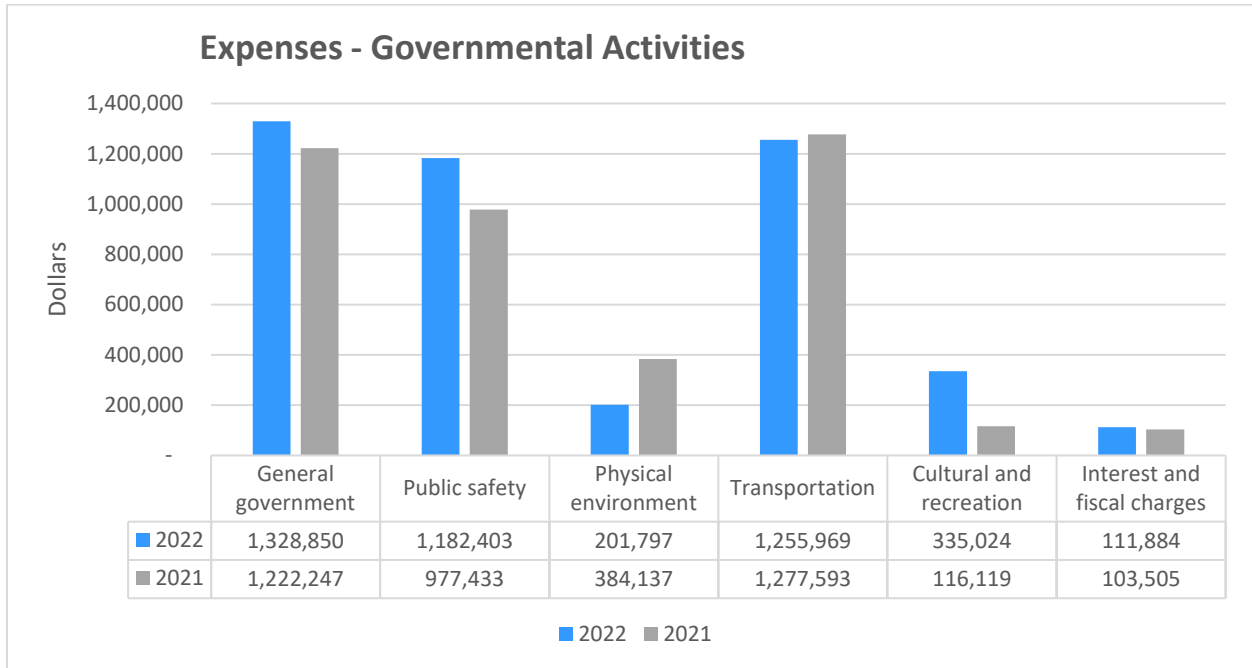
*Other taxes includes local option gas tax, franchise fees, utility taxes, communication services tax, discretionary sales surtaxes, motor fuel tax, and half cent sales tax.

City of Fellsmere, Florida Management's Discussion and Analysis

Governmental activities. Governmental activities increased the City's net position by \$1,332,772. Key elements of this increase is as follows:

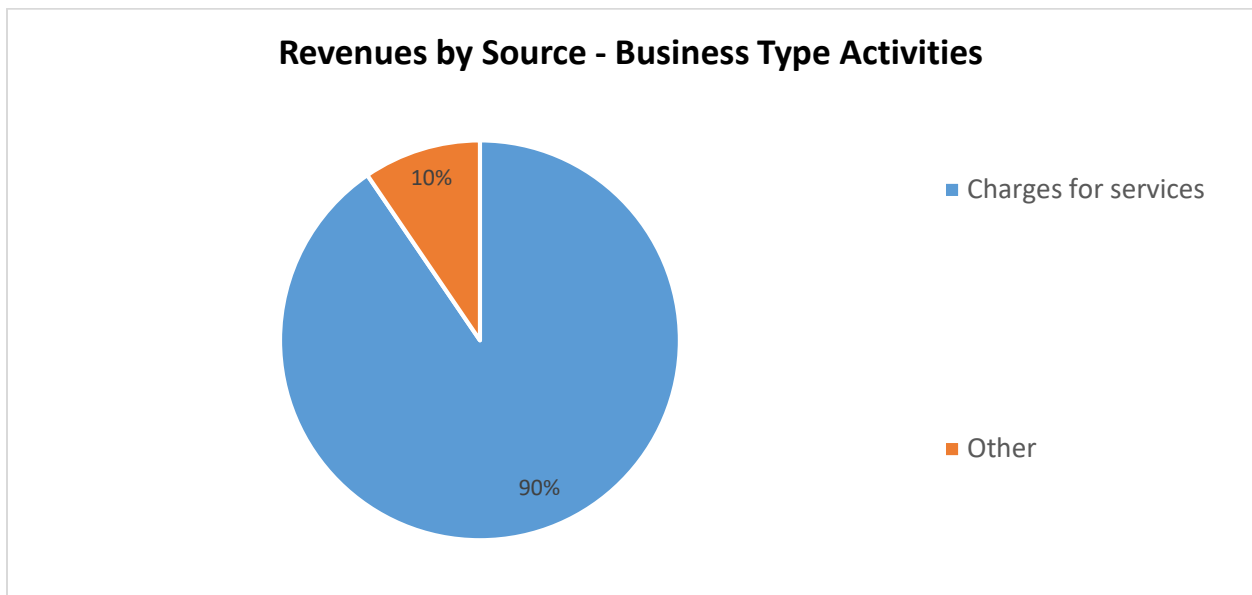
- Across the board increases in revenues due to a rebound in the tourism sector versus the 2021 fiscal year.
- Operating grants increased by \$43,235 or (11.7)%. The increase is primarily due to the availability of grant funding from the State and Federal governments.
- Property and other taxes increased \$274,443 or 8.7%, due to the improved real estate values in the County, and a strong rebound for tourism in the State in 2022.
- This year we had Capital Grants totaling \$1,087,217, which was 132% more than in 2021. Again, the Capital Grants were due to the availability of State and Federal funds that have not been available in COVID years.
- Governmental Expenses increased \$334,893, or 8.2% over the 2021 fiscal year. Most of these increases were also grant-related increases.



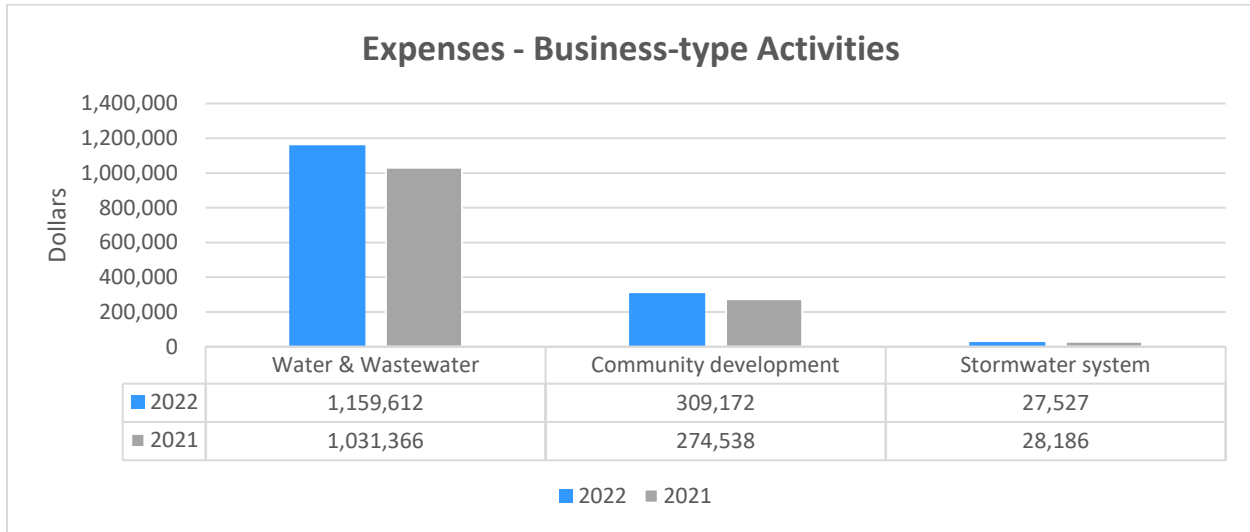


Business-type activities. Business-type activities increased the City’s net position by \$233,643. Key elements of this increase are as follows:

- There were no operating grants received this fiscal year.
- Rate increases were implemented for Water and Wastewater and Stormwater to adjust for the CPI for Utilities. Charges for services increased in 2022 versus 2021. Water/Wastewater charges rose 4.8%; Community Development charges rose 43.9%; and Stormwater charges rose 8.5%. Meanwhile, expenses in Water/Wastewater rose 12.4% as we make improvements to the system to enhance the quality of our drinking water, and advance our billing system. The Community Development expenditures rose 12.6% as we changed the way that we handle the building permitting process, and now have more on-site building official time in town. Stormwater expenditures were flat.



City of Fellsmere, Florida
Management's Discussion and Analysis



Financial Analysis of the City's Funds As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information regarding near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the recent fiscal year, the City's governmental funds reported combined ending fund balances of \$2,535,980, an increase of \$622,722 in comparison with the prior year. An amount of \$1,298,573 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is non-spendable or restricted to indicate that it is not available for new spending.

The General Fund is the main operating fund of the City. At the end of the most recent fiscal year, unassigned fund balance of the General Fund was \$1,298,564 while the total fund balance reached \$1,409,814. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 43.3% of total general fund expenditures, while total fund balance represents 47% of that same amount. The fund balance of the City's General Fund increased by \$71,163 during the current fiscal year.

The Community Redevelopment Fund, recorded year-end fund balances restricted for capital projects. Additional information on the fund equity can be found in Note 9.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the City's Water and Wastewater Fund, Community Development, and Stormwater Enterprise funds amounted to \$1,645,513. The total for unrestricted net position (deficit) for each of these funds

City of Fellsmere, Florida
Management's Discussion and Analysis

was \$1,881,664, (\$490,599) and \$254,448, respectively. Other factors concerning the finances of these funds have previously been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital assets. At the end of fiscal year 2022, the City had \$26,677,024 invested in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, roads and drainage, and construction in progress. This amount represents a net increase (including additions and deductions) of \$517,358, approximately 2% more than last year.

The following major increases occurred in Governmental activities during the fiscal year:

- Two new police vehicles and related equipment for \$86,608.
- Three new public works vehicles for \$115,988.
- Land totaling \$151,858.
- Construction in progress totaling \$1,397,680, all grant-related projects.

The following major increases occurred in Business-type activities during the fiscal year:

- The City invested in land costs of \$46,433.
- The City capitalized the cost of \$13,880 for waterline and well expansion, and \$30,604 toward the cost of new meter system improvements.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 7,128,771	\$ 6,976,913	\$ 445,699	\$ 399,266	\$ 7,574,470	\$ 7,376,179
Construction in progress	3,205,272	1,807,592	-	-	3,205,272	1,807,592
Buildings	2,292,792	2,567,166	-	-	2,292,792	2,567,166
Improvements other than buildings	757,757	766,600	-	-	757,757	766,600
Machinery and equipment	275,162	353,475	5,903,204	6,100,210	6,178,366	6,453,685
Infrastructure	6,647,402	7,188,444	-	-	6,647,402	7,188,444
Right-to-use lease assets*	20,965	-	-	-	20,965	-
Total capital assets, net	\$ 20,328,121	\$ 19,660,190	\$ 6,348,903	\$ 6,499,476	\$ 26,677,024	\$ 26,159,666

*September 30, 2022 balance is due to implementation of GASB 87.

Additional information on the City's capital assets can be found in Note 3-C of this report.

City of Fellsmere, Florida
Management's Discussion and Analysis

Long-term debt. At the end of the 2022 fiscal year, the City of Fellsmere had total outstanding debt of \$3,013,713 a decrease of \$446,905 from 2021, due primarily to the refunding of two higher interest rate debt issues with one new Revenue Bond, as discussed earlier in this document.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Water revenue bond, 1993	\$ -	\$ -	\$ -	\$ 911,000	\$ -	\$ 911,000
Capital improvement revenue bond, 2008	-	2,247,875	-	-	-	2,247,875
Capital improvement revenue bond, 2022	2,194,614	-	544,386	-	2,739,000	-
Construction loans	-	-	183,568	202,559	183,568	202,559
Vehicles note	70,180	99,184	-	-	70,180	99,184
Lease liabilities*	20,965	-	-	-	20,965	-
Total long-term debt	\$ 2,285,759	\$ 2,347,059	\$ 727,954	\$ 1,113,559	\$ 3,013,713	\$ 3,460,618

*September 30, 2022 balance is due to implementation of GASB 87.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2022 budget, tax rates and fees that will be charged for business-type activities. One of these factors is the economy.

At the end of the 2021 fiscal year, unassigned fund balance in the general fund increased to \$1,270,334. For the 2022 fiscal year, the City kept the millage the same at 5.3226 (previous year was at 5.3226 mils), which represented a 3.76% increase in ad valorem rate increase (due to increased property values) to the City for the 2022 fiscal year.

The City implemented a CPI increase of 4.53% for the Water/Wastewater fund, and the Stormwater fund. We intend to select a rate consultant in the near future to evaluate our Water/Wastewater and Stormwater systems, in order to determine if our charging structure is sufficient to ensure financial viability of each fund.

Requests for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances and to demonstrate the City's accountability for the funds it receives. Questions concerning any information provided in this report or requests for additional information should be addressed to the City Finance Department, City of Fellsmere, 22 S. Orange Street, Fellsmere, Florida 32948-6714.

BASIC FINANCIAL STATEMENTS

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City of Fellsmere, Florida
Statement of Net Position

<i>September 30, 2022</i>	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,574,676	\$ 1,155,401	\$ 3,730,077
Investments	2,103,324	-	2,103,324
Accounts receivable	53,935	226,700	280,635
Lease receivables	270,052	952,859	1,222,911
Due from other governments	754,127	-	754,127
Internal balances	(163,300)	163,300	-
Inventories	-	353,514	353,514
Restricted cash and cash equivalents	403,899	939,315	1,343,214
Prepaid items	55,010	2,389	57,399
Capital assets:			
Nondepreciable			
Land	7,128,771	445,699	7,574,470
Construction in progress	3,205,272	-	3,205,272
Depreciable, net of accumulated depreciation and amortization			
Buildings	2,292,792	-	2,292,792
Improvements other than buildings	757,757	-	757,757
Machinery and equipment	275,162	5,903,204	6,178,366
Infrastructure	6,647,402	-	6,647,402
Right-to-use lease assets	20,965	-	20,965
Total assets	26,379,844	10,142,381	36,522,225

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

<i>September 30, 2022</i>	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable and accrued liabilities	524,888	122,552	647,440
Due to other governments	94,907	-	94,907
Unearned revenues	2,633,202	283,650	2,916,852
Noncurrent liabilities:			
Due within one year			
Compensated absences	37,878	2,222	40,100
Lease liability	4,867	-	4,867
Bonds and notes payable	164,864	51,213	216,077
Due in more than one year			
Compensated absences	88,381	5,185	93,566
Lease liability	16,098	-	16,098
Bonds and notes payable	2,099,930	676,741	2,776,671
Total liabilities	5,665,015	1,141,563	6,806,578
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - lease revenue	262,746	952,859	1,215,605
Deferred revenue - business tax revenue	-	15,881	15,881
Total deferred inflows of resources	262,746	968,740	1,231,486
NET POSITION			
Net investment in capital assets	18,012,818	5,620,949	23,633,767
Restricted for:			
Debt service	-	95,199	95,199
Renewal and replacement	-	670,417	670,417
Cemetery perpetual care	56,240	-	56,240
Capital projects	1,126,157	-	1,126,157
Unrestricted	1,256,868	1,645,513	2,902,381
Total net position	\$ 20,452,083	\$ 8,032,078	\$ 28,484,161

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

City of Fellsmere, Florida
Statement of Activities

Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities:			
General government	\$ 1,328,850	\$ 75	\$ 269,493
Public safety	1,182,403	4,894	8,250
Physical environment	201,797	1,950	136,528
Transportation	1,255,969	-	-
Culture and recreation	335,024	105	-
Interest and fiscal charges	111,884	-	-
Total governmental activities	4,415,927	7,024	414,271
Business-type activities:			
Water & Wastewater	1,159,612	1,390,165	-
Community development	309,172	291,148	-
Stormwater system	27,527	143,792	-
Total business-type activities	1,496,311	1,825,105	-
Total primary government	\$ 5,912,238	\$ 1,832,129	\$ 414,271

General revenues and transfers:

Taxes:

Property

Discretionary sales

Local option gas tax

Franchise

Utility

Communications services

Eighth cent motor fuel

Half cent sales

Unrestricted investment earnings

State shared revenue

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expense) Revenue
and Changes in Net Position

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (1,059,282)	\$ -	\$ (1,059,282)
-	(1,169,259)	-	(1,169,259)
343,934	280,615	-	280,615
693,283	(562,686)	-	(562,686)
50,000	(284,919)	-	(284,919)
-	(111,884)	-	(111,884)
<u>1,087,217</u>	<u>(2,907,415)</u>	-	<u>(2,907,415)</u>
-	-	230,553	230,553
-	-	(18,024)	(18,024)
-	-	116,265	116,265
-	-	328,794	328,794
<u>\$ 1,087,217</u>	<u>(2,907,415)</u>	<u>328,794</u>	<u>(2,578,621)</u>
	645,066	-	645,066
	1,016,535	-	1,016,535
	166,319	-	166,319
	381,847	-	381,847
	482,029	-	482,029
	122,910	-	122,910
	88,175	-	88,175
	521,182	-	521,182
	6,697	11,574	18,271
	350,852	-	350,852
	171,295	180,555	351,850
	287,280	(287,280)	-
	<u>4,240,187</u>	<u>(95,151)</u>	<u>4,145,036</u>
	1,332,772	233,643	1,566,415
	19,119,311	7,798,435	26,917,746
	<u>\$ 20,452,083</u>	<u>\$ 8,032,078</u>	<u>\$ 28,484,161</u>

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

City of Fellsmere, Florida
Balance Sheet - Governmental Funds

<i>September 30, 2022</i>	General	Infrastructure	ARPA	Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,387,013	\$ -	\$ 563,387	\$ 624,276	\$ 2,574,676
Investments	-	-	2,103,324	-	2,103,324
Accounts receivable	53,935	-	-	-	53,935
Lease receivables	270,052	-	-	-	270,052
Due from other funds	29,132	-	-	-	29,132
Due from other governments	119,126	153,660	-	481,341	754,127
Restricted cash and cash equivalents	-	403,899	-	-	403,899
Prepaid items	55,010	-	-	-	55,010
Total assets	\$ 1,914,268	\$ 557,559	\$ 2,666,711	\$ 1,105,617	\$ 6,244,155
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 93,839	\$ -	\$ 19,701	\$ 359,701	\$ 473,241
Accrued liabilities	51,647	-	-	-	51,647
Due to other funds	-	-	29,132	163,300	192,432
Due to other governments	94,907	-	-	-	94,907
Unearned revenues	1,315	-	2,617,869	14,018	2,633,202
Total current liabilities	241,708	-	2,666,702	537,019	3,445,429
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - lease revenue	262,746	-	-	-	262,746
Total deferred inflows of resources	262,746	-	-	-	262,746
Fund balances					
Nonspendable	55,010	-	-	-	55,010
Restricted	56,240	557,559	-	568,598	1,182,397
Unrestricted / unassigned (deficit)	1,298,564	-	9	-	1,298,573
Total fund balances	1,409,814	557,559	9	568,598	2,535,980
Total liabilities and fund balances	\$ 1,914,268	\$ 557,559	\$ 2,666,711	\$ 1,105,617	\$ 6,244,155

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

City of Fellsmere, Florida
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

September 30, 2022

Total fund balances - governmental funds		\$ 2,535,980
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 35,779,387	
Less: accumulated depreciation/amortization	(15,451,266)	20,328,121
Long-term liabilities, including bonds and notes payable, compensated absences and lease liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bond and note payable	\$ (2,264,794)	
Compensated absences	(126,259)	
Lease liability	(20,965)	(2,412,018)
Net position of governmental activities		\$ 20,452,083

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

City of Fellsmere, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds

<i>Year Ended September 30, 2022</i>	General	Infrastructure	ARPA	Nonmajor Funds	Total Governmental Funds
Revenues					
Taxes:					
Property	\$ 645,066	\$ -	\$ -	\$ -	\$ 645,066
Public utility	482,029	-	-	-	482,029
Sales	-	1,016,535	-	-	1,016,535
Motor fuel	-	-	-	166,319	166,319
Communications services	122,910	-	-	-	122,910
Franchise fees	381,847	-	-	-	381,847
Intergovernmental	968,019	-	234,493	1,258,745	2,461,257
Charges for services	2,130	-	-	-	2,130
Fines	4,894	-	-	-	4,894
Investment earnings	1,287	350	4,987	-	6,624
Other revenues	139,062	-	-	23,767	162,829
Total revenues	2,747,244	1,016,885	239,480	1,448,831	5,452,440
Expenditures					
Current:					
General government	951,864	-	-	30,407	982,271
Public safety	1,046,264	-	54,278	-	1,100,542
Physical environment	-	-	-	223,255	223,255
Transportation	696,544	-	10,168	57,432	764,144
Culture and recreation	90,287	-	370	-	90,657
Debt service:					
Principal	3,858	108,445	-	-	112,303
Interest and fiscal charges	394	111,490	-	-	111,884
Capital outlay	208,570	-	174,663	1,383,868	1,767,101
Total expenditures	2,997,781	219,935	239,479	1,694,962	5,152,157
Excess (deficiency) of revenues over (under) expenditures	(250,537)	796,950	1	(246,131)	300,283
Other financing sources (uses)					
Transfers in	387,774	-	-	350,707	738,481
Transfers out	(75,053)	(319,658)	-	(56,490)	(451,201)
Debt refunding	-	(2,188,540)	-	-	(2,188,540)
Loan proceeds	-	2,214,720	-	-	2,214,720
Proceeds from sale of capital assets	8,979	-	-	-	8,979
Total other financing sources (uses)	321,700	(293,478)	-	294,217	322,439
Net change in fund balances	71,163	503,472	1	48,086	622,722
Fund balances (deficit), beginning of year	1,338,651	54,087	8	520,512	1,913,258
Fund balances (deficit), end of year	\$ 1,409,814	\$ 557,559	\$ 9	\$ 568,598	\$ 2,535,980

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

City of Fellsmere, Florida

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

Year Ended September 30, 2022

Net change in fund balances - total governmental funds		\$ 622,722
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation or amortization expense.</p>		
Expenditures for capital assets	\$ 1,767,101	
Less: current year depreciation/amortization	(1,123,993)	643,108
<p>Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.</p>		
		(2,214,720)
<p>Repayment of bond principal and loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the principal payments on the long-term debt.</p>		
		2,300,843
<p>Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(19,181)
Change in net position of governmental activities		\$ 1,332,772

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

City of Fellsmere, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund

<i>Year Ended September 30, 2022</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Property	\$ 621,093	\$ 621,093	\$ 645,066	\$ 23,973
Public utility	456,964	456,964	482,029	25,065
Communications services	77,597	77,597	122,910	45,313
Franchise fees	357,625	357,625	381,847	24,222
Intergovernmental	936,246	936,246	968,019	31,773
Charges for services	7,500	7,500	2,130	(5,370)
Fines	3,600	3,600	4,894	1,294
Investment earnings	2,300	2,300	1,287	(1,013)
Other revenues	658,378	658,378	139,062	(519,316)
Total revenues	3,121,303	3,121,303	2,747,244	(374,059)
Expenditures				
Current:				
General government	1,273,445	1,281,819	951,864	329,955
Public safety	1,190,964	1,190,964	1,046,264	144,700
Transportation	1,111,213	1,111,213	696,544	414,669
Culture and recreation	96,903	96,903	90,287	6,616
Debt service:				
Principal	-	-	3,858	(3,858)
Interest	-	-	394	(394)
Capital outlay	-	-	208,570	(208,570)
Total expenditures	3,672,525	3,680,899	2,997,781	683,118
Excess (deficiency) of revenues over (under) expenditures	(551,222)	(559,596)	(250,537)	309,059
Other financing sources (uses)				
Transfers in	428,293	436,667	387,774	(48,893)
Transfers out	(69,500)	(69,500)	(75,053)	(5,553)
Proceeds from sale of capital assets	-	-	8,979	8,979
Total other financing sources (uses)	358,793	367,167	321,700	(45,467)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(192,429)	(192,429)	71,163	263,592
Fund balances, beginning of year	1,338,651	1,338,651	1,338,651	-
Fund balances, end of year	\$ 1,146,222	\$ 1,146,222	\$ 1,409,814	\$ 263,592

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

City of Fellsmere, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Infrastructure Fund

<i>Year Ended September 30, 2022</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Sales	\$ 869,418	\$ 869,418	\$ 1,016,535	\$ 147,117
Investment earnings and other revenue	37,064	107,064	350	(106,714)
Total revenues	906,482	976,482	1,016,885	40,403
Expenditures				
Debt service:				
Principal	87,940	87,940	108,445	(20,505)
Interest and fiscal charges	99,642	99,642	111,490	(11,848)
Capital outlay	116,400	116,400	-	116,400
Total expenditures	303,982	303,982	219,935	84,047
Excess of revenues over expenditures	602,500	672,500	796,950	124,450
Other financing sources (uses)				
Transfers out	(602,500)	(602,500)	(319,658)	282,842
Debt refunding			(2,188,540)	(2,188,540)
Loan proceeds	-	-	2,214,720	2,214,720
Total other financing sources (uses)	(602,500)	(602,500)	(293,478)	309,022
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	70,000	503,472	433,472
Fund balances (deficits), beginning of year	54,087	54,087	54,087	-
Fund balances (deficits), end of year	\$ 54,087	124,087	\$ 557,559	\$ 433,472

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

City of Fellsmere, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – ARPA Fund

<i>Year Ended September 30, 2022</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$ 1,426,181	\$ 1,426,181	\$ 234,493	\$ (1,191,688)
Investment earnings	-	-	4,987	4,987
Total revenues	1,426,181	1,426,181	239,480	(1,186,701)
Expenditures				
Current:				
Public safety	-	-	54,278	(54,278)
Transportation	1,426,181	1,426,181	10,168	1,416,013
Culture and recreation	-	-	370	(370)
Capital outlay	-	-	174,663	(174,663)
Total expenditures	1,426,181	1,426,181	239,479	1,186,702
Excess of revenues over expenditures	-	-	1	1
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	1	1
Fund balances (deficits), beginning of year	8	8	8	8
Fund balances (deficits), end of year	\$ 8	\$ 8	\$ 9	\$ 9

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

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

City of Fellsmere, Florida
Statement of Fund Net Position
Proprietary Funds

<i>September 30, 2022</i>	Water & Wastewater	Community Development	Stormwater System - Nonmajor fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 935,785	\$ 1,508	\$ 218,108	\$ 1,155,401
Restricted cash and cash equivalents	939,315	-	-	939,315
Accounts receivable	134,800	55,474	36,426	226,700
Lease receivable	952,859	-	-	952,859
Due from other funds	548,300	-	-	548,300
Inventories	353,514	-	-	353,514
Prepaid items	1,718	671	-	2,389
Total current assets	3,866,291	57,653	254,534	4,178,478
Noncurrent assets:				
Capital assets:				
Land	324,564	37,860	83,275	445,699
Machinery and equipment	9,709,821	24,490	68,026	9,802,337
Less accumulated depreciation	(3,856,275)	(24,052)	(18,806)	(3,899,133)
Total capital assets, net of accumulated depreciation	6,178,110	38,298	132,495	6,348,903
Total noncurrent assets	6,178,110	38,298	132,495	6,348,903
Total assets	10,044,401	95,951	387,029	10,527,381
LIABILITIES				
Current liabilities:				
Accounts payable	33,380	36,512	86	69,978
Accrued liabilities	48,964	3,610	-	52,574
Due to other funds	-	385,000	-	385,000
Unearned revenues	177,199	106,451	-	283,650
Current portion of accrued compensated absences	1,983	239	-	2,222
Current portion of long-term debt	51,213	-	-	51,213
Total current liabilities	312,739	531,812	86	844,637
Noncurrent liabilities:				
Accrued compensated absences, net of current portion	4,626	559	-	5,185
Long-term debt, net of current portion	676,741	-	-	676,741
Total noncurrent liabilities	681,367	559	-	681,926
Total liabilities	994,106	532,371	86	1,526,563
DEFERRED INFLOW OF RESOURCES				
Deferred revenue - lease revenue	952,859	-	-	952,859
Deferred revenue - business tax receipts	-	15,881	-	15,881
Total deferred inflow of resources	952,859	15,881	-	968,740
NET POSITION (DEFICIT)				
Net investment in capital assets	5,450,156	38,298	132,495	5,620,949
Restricted for:				
Debt service	95,199	-	-	95,199
Renewal and replacement	670,417	-	-	670,417
Unrestricted (deficit)	1,881,664	(490,599)	254,448	1,645,513
Total net position (deficit)	\$ 8,097,436	\$ (452,301)	\$ 386,943	\$ 8,032,078

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

City of Fellsmere, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

<i>Year Ended September 30, 2022</i>	Water & Wastewater	Community Development	Stormwater System - Nonmajor fund	Total
Operating revenues:				
Charges for services	\$ 1,390,165	\$ -	\$ 143,792	\$ 1,533,957
Building permits, licenses and fees	-	291,148	-	291,148
Other revenues	72,414	66,470	41,671	180,555
Total operating revenues	1,462,579	357,618	185,463	2,005,660
Operating expenses:				
Salaries, wages and employee benefits	276,839	102,174	-	379,013
Contractual services, materials and supplies	571,375	206,735	22,921	801,031
Depreciation	236,621	263	4,606	241,490
Total operating expenses	1,084,835	309,172	27,527	1,421,534
Operating income (loss)	377,744	48,446	157,936	584,126
Nonoperating revenues (expenses):				
Interest income	11,574	-	-	11,574
Interest expense	(74,777)	-	-	(74,777)
Total nonoperating revenues (expenses)	(63,203)	-	-	(63,203)
Income (loss) before transfers and capital contributions	314,541	48,446	157,936	520,923
Transfers				
Transfers in	-	51,228	-	51,228
Transfers out	(253,512)	(39,996)	(45,000)	(338,508)
Total transfers	(253,512)	11,232	(45,000)	(287,280)
Change in net position	61,029	59,678	112,936	233,643
Net position (deficit), beginning of year	8,036,407	(511,979)	274,007	7,798,435
Net position (deficit), end of year	\$ 8,097,436	\$ (452,301)	\$ 386,943	\$ 8,032,078

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

City of Fellsmere, Florida
Statement of Cash Flows
Proprietary Funds

<i>Year Ended September 30, 2022</i>	Water & Wastewater	Community Development	Stormwater System - Nonmajor fund	Total
Cash flows from operating activities:				
Cash received from customers for sales and services	\$ 1,448,390	\$ 356,158	\$ 177,870	\$ 1,982,418
Internal activity - payments (receipts) from other funds	(89,922)	(73,378)	-	(163,300)
Cash payments to employees	(135,750)	(80,499)	-	(216,249)
Cash payments to suppliers for goods and services	(985,686)	(213,105)	(23,767)	(1,222,558)
Net cash provided by (used in) operating activities	237,032	(10,824)	154,103	380,311
Cash flows from noncapital financing activities:				
Transfers from other funds	-	51,228	-	51,228
Transfers to other funds	(253,512)	(39,996)	(45,000)	(338,508)
Net cash provided by (used in) noncapital financing activities	(253,512)	11,232	(45,000)	(287,280)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(44,484)	-	(46,433)	(90,917)
Proceeds from long-term debt	549,280	-	-	549,280
Principal paid on long-term debt	(934,885)	-	-	(934,885)
Interest paid on long-term debt	(74,777)	-	-	(74,777)
Net cash used in capital and related financing activities	(504,866)	-	(46,433)	(551,299)
Cash flows from investing activities:				
Interest on investments	11,574	-	-	11,574
Net cash provided by investing activities	11,574	-	-	11,574
Net increase (decrease) in cash and cash equivalents	(509,772)	408	62,670	(446,694)
Cash and cash equivalents, beginning of year	2,384,872	1,100	155,438	2,541,410
Cash and cash equivalents, end of year	\$ 1,875,100	\$ 1,508	\$ 218,108	\$ 2,094,716
Classified on the statement of net position as:				
Current assets:				
Cash and cash equivalents	\$ 935,785	\$ 1,508	\$ 218,108	\$ 1,155,401
Restricted cash and cash equivalents	939,315	-	-	939,315
	\$ 1,875,100	\$ 1,508	\$ 218,108	\$ 2,094,716

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

City of Fellsmere, Florida
Statement of Cash Flows (continued)
Proprietary Funds

<i>Year Ended September 30, 2022</i>	Water & Wastewater	Community Development	Stormwater System - Nonmajor fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 377,744	\$ 48,446	\$ 157,936	\$ 584,126
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	236,621	263	4,606	241,490
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(14,610)	(1,988)	(7,594)	(24,192)
Due from other funds	(89,922)	-	-	(89,922)
Lease receivables	43,592	-	-	43,592
Inventories	(339,914)	-	-	(339,914)
Prepaid items	8,569	(50)	-	8,519
Increase (decrease) in liabilities and:				
deferred inflows:				
Accounts payable	18,402	16,955	(845)	34,512
Accrued liabilities	34,718	(1,373)	-	33,345
Due to other funds	-	(73,378)	-	(73,378)
Due to other governmental units	-	(19,167)	-	(19,167)
Accrued compensated absences	5,003	(228)	-	4,775
Unearned revenues	421	19,722	-	20,143
Deferred inflows - business tax receipts	-	(26)	-	(26)
Deferred inflows - lease revenue	(43,592)	-	-	(43,592)
Total adjustments	(140,712)	(59,270)	(3,833)	(203,815)
Net cash provided by (used in) operating activities	\$ 237,032	\$ (10,824)	\$ 154,103	\$ 380,311

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

City of Fellsmere, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fellsmere, Florida (the “City”), located in Indian River County (the “County”), was incorporated in 1911. The City was created under the legal authority of Article VIII of the Florida Constitution, Florida Statutes’ Chapter 165 and pursuant to the Laws of Florida 11480, Act of 1925. The City operates under a Council - manager form of government whereby the mayor is elected from the five members of Council. The City provides the following services: General and Administrative Services, Public Safety-Police, Public Works-Streets, Culture and Recreation, Water, Wastewater Systems, and Community Development. The City has an estimated population of 5,754.

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a four-member governing council (the “Council”). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations even though they are legally separate entities. Thus, blended component units are appropriately presented as funds in the primary government. The City reported no discretely presented component units for the year ended September 30, 2022. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

In evaluating the City as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification.

Blended Component Unit

The Community Redevelopment Agency (CRA) was organized in November 2005 to finance development within the geographic boundaries of the community redevelopment area. Although legally separate, the CRA is governed by a board primarily of the City’s elected Council members and the services provided by the CRA create a financial benefit relationship with the City. The CRA does not issue separate financial statements. Their financial statements are included in the City’s Financial Statements as a non-major special revenue fund for the year ended September 30, 2022.

B. Government-Wide and Fund Financial Statements

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items properly excluded from program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. The City has no fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. 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 considered revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgements, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's wastewater and sanitation services functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *Infrastructure Fund* accounts for the financial resources used for infrastructure improvements and equipment purchases.

The *American Rescue Plan Act (ARPA) Fund* accounts for the financial resources used for projects utilizing ARPA funds.

The City reports the following major enterprise funds:

The *Water & Wastewater Fund* accounts for the activities in providing water and wastewater services to the public.

The *Community Development Fund* accounts for the financial resources of the City's building department.

Additionally, the City reports the following nonmajor fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The City's nonmajor enterprise fund consists of the stormwater system fund.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advanced to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Similarly, balances between funds included in business-type activities are eliminate so that only the net amount is included as transfers in the business-type activities column.

Budgetary Information

The City follows the procedures set forth below in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes the proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through passage of an ordinance.

The City Council is authorized to amend the budget to utilize excess funds, to increase appropriations, to transfer funds, or for other purposes, as necessary. The final adoption of the City budget complies with the "Truth in Millage" Statute of Florida that mandates two public hearings prior to the adoption of the ad valorem tax millage rate and budget. Prior to October 1 of each year, the public hearings are held, and the Council adopts the final budget and establishes the ad valorem tax millage rate.

The budget may be formally amended by the City Council at any time during the fiscal year. Budgets for the government funds are prepared in accordance with generally accepted accounting principles, using the modified accrual basis of accounting. Within the financial statements, budget amounts are presented in accordance with the City's policy and the accrual amounts are presented in accordance with generally accepted accounting principles.

There were no differences between both bases of presentation during the fiscal year ended September 30, 2022. Appropriations, except open project appropriations, lapse at the end of each fiscal year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgetary Information (Continued)

The appropriated budget is prepared by fund, function, and department. Shifts in appropriations within fund totals may be done on the authority of the City Manager. Transfers of appropriations between funds require approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations made by the City Council) is the fund level. Budget adjustments made during the year ended September 30, 2022 were approved by the City Council.

D. Assets, Liabilities, Deferred Inflows, and Net Position or Equity

1. Cash and Cash Equivalents

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

2. Investments

Deposits available within various funds were consolidated for investment purposes. Substantially all deposits were investing using the pooled investment concept. Interest earned was allocated monthly to the various funds based on their month-ending cash and investment balances.

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

The City of Fellsmere is empowered by statute to invest in the following instruments and may divest itself of such investments, at prevailing market prices or rates subject to the limitations of Section 218.415 – a) the Local Government Surplus Funds Trust Fund, administered by the Florida State Board of Administration or any intergovernmental investment pool authorized pursuant the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01, Florida Statutes; b) Securities and Exchange Commission registered money market funds with the highest quality rating from a nationally recognized rating agency; c) savings accounts in state-certified qualified public depositories, as defined in Florida Statute 280.02; d) certificates of deposit and Repurchase Agreements in state-certified qualified depositories, as defined in Florida Statute 280.02; e) direct obligations of the U.S. Treasury; and f) Federal agencies and instrumentalities.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

2. Investments

Banks and savings and loans in which the City funds are deposited must be classified as a qualified public depository as defined in the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes, before any deposits are made with those institutions. The City had deposits only with qualifying public depositories as of September 30, 2022.

3. Receivables and Payables

Accounts receivable consist of trade receivables. Amounts due from other governments include due from the State of Florida. Program and capital grants are recorded as receivable and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are reported as “unearned”.

Lease Receivables – The City’s lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee’s revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

The City has no allowance for doubtful accounts as of September 30, 2022, as all receivables are considered collectible.

4. Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” within the fund financial statements. Long-term borrowings between funds are classified as “advances to other funds” or “advances from other funds” in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are funds are netted as part of the reconciliation to the government-wide presentation.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

5. Inventories and Prepaid Items

Inventory at September 30, 2022 consisted of various parts, materials, and supplies on hand in connection with the water system. This inventory is stated at cost, determined by the first-in, first-out (FIFO) method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid items consist of prepaid insurance at September 30, 2022.

6. Restricted Assets

Certain assets of the City are classified as restricted assets on the Statement of Net Position because their use is limited either by law or through constitutional provision or enabling legislation, or by restrictions imposed externally by creditors, grantors, contributors, or laws and regulations of other governments. In a fund with both restricted and unrestricted net position, qualified expenses are considered to be paid first from restricted net position, then from unrestricted net position.

7. Capital Assets

Capital assets, which include property, plant, equipment, right-to-use assets and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life of more than five years. Such assets are recorded at historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred. Donated capital assets are recorded at their acquisition value.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Land and construction in progress are not depreciated. The other capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 to 30 years
Improvements other than buildings	10 to 20 years
Infrastructure improvements	20 years
Water distribution and wastewater systems	50 years
Equipment and vehicles	5 to 10 years

Right-of-use lease assets are amortized over the life of the lease.

8. Unearned Revenues

Unearned revenues include amounts collected before the eligibility criteria are met, and consisted of various grants.

9. Deferred Inflows of Resources

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

The City had two (2) items that qualified as deferred inflows of resources, business tax receipts and leases (amounts owed to the City as the lessor).

10. Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

The liability for compensated absences includes salary-related benefits, where applicable. Accumulated sick leave lapses when employees leave the employ of the City and, accordingly upon separation from service, no monetary obligation exists.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

11. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

12. Leases

Lease contracts provide the City with control of a non-financial assets, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Lease assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

13. Categories and Classification of Net Position and Fund Balance

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the City will fund outlaws for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

13. Categories and Classification of Net Position and Fund Balance (Continued)

the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

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

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

14. Revenues and Expenditures/Expenses

Program revenues – Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, 3) capital grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes – Property taxes attach as an enforceable lien on real property and are levied based on the property valuation as of January 1. The fiscal year for which property taxes are levied begins October 1. Taxes are due beginning November 1 and considered delinquent on April 1. All property taxes remaining unpaid at May 30 are subject to lien, and penalties and interest are assessed. Property taxes are considered fully collected (97% of the levy) during and prior to the end of the fiscal year. Therefore no material amounts of property taxes are receivable as of September 30, 2022.

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

15. 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.

16. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 8, 2023. See Note 10 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. Recently Issued and Implemented Accounting Pronouncements

The City implemented the following standard during the current fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additional information about the changes to the financial statements related to the implementation of this Statement can be found in Note 2.

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

GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as change in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restated prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to the financial statements of descriptive information about accounting changes and error corrections, such as their nature.

City of Fellsmere, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. Recently Issued and Implemented Accounting Pronouncements

In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in the required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated absences*, The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 14, 2023, and all reporting periods thereafter.

The City is evaluating the requirements of the above statements and the impact on financial statement reporting.

Note 2: CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2022, the City implemented GASB Statement No. 87, *Leases*. In accordance with generally accepted accounting principles, the implementation of this statement requires the restatement of the **September 30, 2021** net position in the statement of activities to record the cumulative effect of recording the original basis of the leased assets less accumulated amortization net of the respective lease liabilities as of **September 30, 2021**.

	Governmental Activities	Business-type Activities	Total
Net position, September 30, 2021 as previously reported	\$ 19,119,311	\$ 7,798,435	\$ 26,917,746
Right-to-use lease assets	24,823	-	24,823
Lease liability	(24,823)	-	(24,823)
Lease receivable	297,624	996,451	1,294,075
Deferred inflow related to leases	(297,624)	(996,451)	(1,294,075)
Net position, September 30, 2021, restated	\$ 19,119,311	\$ 7,798,435	\$ 26,917,746

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At September 30, 2022, the carrying amount of the City's deposits with banks was \$5,072,068 and the bank balance was \$5,079,319. In addition, the City holds \$1,223 of petty cash. As of September 30, 2022, \$250,000 of the City's bank balances were covered by the Federal Depository Insurance Corporation (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depository, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

Restricted cash in the Enterprise Funds at September 30, 2022 consists of unspent water and wastewater system impact fees and interest earned on these funds of \$844,116. Under City adopted resolutions, these funds may be used only for extensions, enlargements, or additions to the capital assets of the water and wastewater systems. Restricted cash also consists of bond sinking fund reserve for the water system in the amount of \$95,199.

In lieu of adopting its own investment policy, the City invests surplus funds pursuant to the guidelines in Florida Statute 218.415, subsection 17, which allows the City to invest in the Florida State Board of Administration intergovernmental investment pool or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, direct obligations of the United States Government, obligations of the different agencies of the Federal Government, registered money market funds and accounts of state qualified public depositories.

The Florida Cooperative Liquid Assets Securities System (FLCLASS) is an independent LGIP designed to meet the cash management and short-term investment needs of Florida governmental entities and was created by an interlocal agreement by and among State public agencies under Florida Statute 163.01 and is administered under Florida Statute 218.415. FLCLASS is governed by a Board of Trustees (the "Board"). The Board supervises the Trust and its affairs and acts as the liaison between the participants, the custodian, the administrator and all service providers.

The fair values of the LGIP's are equal to the value of the pooled shares. The investments in the LGIP's are not insured by FDIC or any other governmental agency. The LGIP's follow GASB Statement No. 79 and value all securities at amortized cost, which approximate fair value, in an attempt to maintain a constant net asset value (NAV) of \$1 per share. On September 30, 2022, the City had \$2,103,324 invested. The fair value of the City's position in the pool is equal to the value of pooled shares or net asset value.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

Under GASB Codification I50: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes of its investments at amortized cost it should disclose the present of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transactions amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2022, there were no redemption fees or maximum transaction amounts, or any other requirement that serve to limit the City's access to 100 percent of their account value in the external investment pool.

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

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment.

The dollar weighted average days to maturity (WAM) of FLCLASS at September 30, 2022, was 26 days and the weighted average life (WAL) was 67 days.

Credit risk – Section I50: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations.

Concentration risk – Section I50: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investments pools and other pooled investments.

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

As of September 30, 2022, the City has the following investments and effective duration presented in terms of years.

Investment Type	Credit Rating	Investment Maturities (in years)			
		Fair Value	Less than 1	From 1-5	More than 5
Primary government:					
Florida Cooperative Liquid Assets					
Securities System - FLCLASS	AAAm	\$ 2,103,324	\$ 2,103,324	\$ -	\$ -
Total primary government investments		\$ 2,103,324	\$ 2,103,324	\$ -	\$ -

B. Interfund receivables and payables and transfers

The composition of interfund balances as of September 30, 2022, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 29,132	\$ -
Nonmajor funds	-	163,300
ARPA fund	-	29,132
Water & Wastewater fund	548,300	-
Community development fund	-	385,000
Total	\$ 577,432	\$ 577,432

The Community Development fund and various nonmajor funds required funding from the Water & Wastewater fund to support operations and cash flow when waiting for reimbursement from grantors. The General fund required funding from the ARPA fund for expenditures being expended under the ARPA grant, as receipts had not yet been received.

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

B. Interfund receivables and payables and transfers (continued)

For the year ended September 30, 2022, interfund transfers consisted of the following:

Transfers Out	Transfers In			Totals
	General fund	Nonmajor governmental funds	Community development fund	
General fund	\$ -	\$ 31,049	\$ 44,004	\$ 75,053
Infrastructure fund	-	319,658	-	319,658
Nonmajor governmental funds	56,490	-	-	56,490
Water & Wastewater fund	249,348	-	4,164	253,512
Community development fund	39,996	-	-	39,996
Stormwater system - nonmajor proprietary fund	41,940	-	3,060	45,000
Totals	\$ 387,774	\$ 350,707	\$ 51,228	\$ 789,709

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the primary government for the year ended September 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,976,913	\$ 151,858	\$ -	\$ 7,128,771
Construction in progress	1,807,592	1,397,680	-	3,205,272
Total capital assets, not being depreciated	8,784,505	1,549,538	-	10,334,043
Capital assets, being depreciated:				
Buildings	5,948,297	-	-	5,948,297
Improvements other than buildings	3,533,881	-	-	3,533,881
Machinery and equipment	2,112,346	208,570	(106,086)	2,214,830
Infrastructure	13,714,520	8,993	-	13,723,513
Total capital assets, being depreciated	25,309,044	217,563	(106,086)	25,420,521
Less accumulated depreciation for:				
Buildings	(3,381,131)	(274,374)	-	(3,655,505)
Improvements other than buildings	(2,767,281)	(8,843)	-	(2,776,124)
Machinery and equipment	(1,758,871)	(286,883)	106,086	(1,939,668)
Infrastructure	(6,526,076)	(550,035)	-	(7,076,111)
Total accumulated depreciation	(14,433,359)	(1,120,135)	106,086	(15,447,408)
Total capital assets, being depreciated, net	10,875,685	(902,572)	-	9,973,113
Right-to-use lease assets, being amortized				
Equipment*	24,823	-	-	24,823
Right-to-use lease assets, being amortized	24,823	-	-	24,823
Less accumulated amortization for				
Equipment*	-	(3,858)	-	(3,858)
Total accumulated amortization	-	(3,858)	-	(3,858)
Right-to-use lease assets being amortized, net	24,823	(3,858)	-	20,965
Governmental activities capital assets, net	\$ 19,685,013	\$ 643,108	\$ -	\$ 20,328,121

* September 30, 2022 beginning balance is restated with the implementation of GASB 87.

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 399,266	\$ 46,433	\$ -	\$ 445,699
Total capital assets, not being depreciated	399,266	46,433	-	445,699
Capital assets, being depreciated:				
Water plant	2,890,855	30,604	-	2,921,459
Water lines	4,078,223	-	-	4,078,223
Water tank	408,813	-	-	408,813
Vehicle and equipment	72,222	-	-	72,222
Equipment	24,490	-	-	24,490
Wastewater lines	2,215,224	13,880	-	2,229,104
Stormwater equipment	68,026	-	-	68,026
Total capital assets, being depreciated	9,757,853	44,484	-	9,802,337
Less accumulated depreciation for:				
Water plant	(827,287)	(60,310)	-	(887,597)
Water lines	(1,767,606)	(121,726)	-	(1,889,332)
Water tank	(211,736)	(7,242)	-	(218,978)
Vehicle and equipment	(72,298)	-	-	(72,298)
Equipment	(23,788)	(263)	-	(24,051)
Wastewater lines	(740,727)	(47,343)	-	(788,070)
Stormwater equipment	(14,201)	(4,606)	-	(18,807)
Total accumulated depreciation	(3,657,643)	(241,490)	-	(3,899,133)
Total capital assets, being depreciated, net	6,100,210	(197,006)	-	5,903,204
Business-type activities capital assets, net	\$ 6,499,476	\$ (150,573)	\$ -	\$ 6,348,903

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (continued)

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

Governmental activities:	
General government	275,416
Public safety	62,680
Transportation	541,160
Culture and recreation	244,737
<u>Total depreciation/amortization expense - governmental activities</u>	<u>\$ 1,123,993</u>
Business-type activities:	
Water & Wastewater	\$ 236,621
Community development	263
Stormwater	4,606
<u>Total depreciation expense - business-type activities</u>	<u>\$ 241,490</u>

D. Accounts payable and accrued liabilities

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 473,241	\$ 69,978
Accrued liabilities	51,647	52,574
<u>Total payables</u>	<u>\$ 524,888</u>	<u>\$ 122,552</u>

E. Construction Commitments

The City has active construction projects as of September 30, 2022. At year-end, the City's commitments with contractors are as follows:

South Regional Lake PHII	\$ 192,016
NY Sidewalk	626,228
TAP S. Broadway Sidewalk	46,624
<u>Total outstanding commitments</u>	<u>\$ 864,868</u>

The projects noted above are funded through grants and City funding.

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital improvement bond, 2008	\$ 2,247,875	\$ -	\$ (2,247,875)	\$ -	\$ -
Capital improvement bond, 2022	-	2,214,720	(20,106)	2,194,614	119,841
Vehicles note	99,184	-	(29,004)	70,180	45,023
Compensated absences	107,078	148,157	(128,976)	126,259	37,878
Lease liabilities*	24,823	-	(3,858)	20,965	4,867
Total governmental activities	\$ 2,478,960	\$ 2,362,877	\$ (2,429,819)	\$ 2,412,018	\$ 207,609

*September 30, 2022 beginning balance is restated with the implementation of GASB 87.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bond, 1993	\$ 911,000	\$ -	\$ (911,000)	\$ -	\$ -
Capital improvement bond, 2022	-	549,280	(4,894)	544,386	29,159
Construction loans	202,559	-	(18,991)	183,568	22,054
Compensated absences	2,632	11,710	(6,935)	7,407	2,222
Total business-type activities	\$ 1,116,191	\$ 560,990	\$ (941,820)	\$ 735,361	\$ 53,435

Capital Improvement Revenue Refunding Note, Series 2022 - Direct Borrowing

On May 25, 2022, the City authorized a \$2,764,000 Capital Improvement Revenue Refunding note with an interest rate of 3.22% to refund the outstanding balances of the Water Revenue Bond, Series 1993 and the Capital Improvement Revenue Bond, Series 2008 with an average interest rate of 4.5%. The proceeds of this refunding note, along with \$400,000 in cash contributions from the City (less payment of \$42,362 in issuance costs) were transferred to the paying agent. On May 26, 2022, these funds were used to pay off the outstanding principal balances of both bonds. The remaining \$911,000 in outstanding Series 1993 Bonds and the \$2,247,875 in outstanding Series 2008 Bonds were called and paid off as of this date in accordance with the redemption provisions of the Series 1993 and Series 2008 Bonds.

The Capital Improvement Revenue Refunding Note, Series 2022 is the sole outstanding bond issue of the City. These bonds were issued on May 25, 2022, and contained an original principal balance of \$2,764,000 with an interest rate of 3.22%. Principal and interest are payable quarterly on December 1, March 1, June 1 and September 1 of each year. During the fiscal year ended September 30, 2022, a total of \$25,000 in debt service principal and \$24,228 in debt service interest were paid toward the outstanding balance. As of September 30, 2022, the balance of the note was \$2,739,000.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term Liabilities (Continued)

The bond constitutes a special obligation of the City secured by a lien on and pledge of the gross discretionary sales tax revenues. Upon receipt of discretionary sales tax revenues, the City will transfer from the revenue fund into the sinking fund an equal monthly amount until the balance is sufficient to pay interest and principal due on the note on the next payment date. The City's current principal and interest of \$236,608 was 23.3% of the current pledged revenue of \$1,016,535. The balance of the sinking fund was \$95,199, respectively, as of September 30, 2022.

Construction Loans – Direct Borrowing

In 2010, the City entered into two loans with the Florida Department of Environmental Protection. Disbursements for the loan were considered federal funds under a grant from the Environmental Protection Agency, Capitalization Grants for the State Revolving Fund. The construction project to expand the water treatment plant was finished in 2012.

Operational revenues from the Water & Wastewater utility, net of payments on the Revenue Bond, are pledged as security for repayment of these loans. The current pledged revenues were \$584,891. The current principal and interest was \$24,271 or 4% of pledged revenues. Both loans are to be repaid with 40 semi-annual payments of \$7,288 for loan #1 and \$4,837 for loan #2 in March and September ending in March and September 2031, respectively. Interest is charged at 2.71% and 2.61%, respectively. The loan agreement includes certain covenants with which the City was in compliance at September 30, 2022. In the event of default, outstanding amounts become immediately due if the City is unable to make payment and the City could be subject to a 6% interest penalty on amounts due, among other costs. At September 30, 2022 the balances of loan #1 and #2 were \$110,004 and \$73,564, respectively.

Vehicles Promissory Note – Direct Borrowing

The City executed a promissory note dated January 14, 2021 with an interest rate of 4% per annum in favor of Marine Bank & Trust Company in the original principal amount of up to \$250,000 for the purpose of purchasing police department vehicles. The City signed a loan agreement in order to set out the terms and conditions of the loan. Monthly payments of interest only are due on the 14th day of each month until principal and interest payments in the amount of \$3,917 commence on February 14, 2022 and shall continue monthly on the 14th day of each month until the maturity date of March 14, 2024. As of September 30, 2022, the outstanding balance was \$70,180.

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (continued)

Leases

The City has entered into a lease agreement to obtain the right-to-use office equipment. The total annual rent for the leases that the City paid for the fiscal year ended September 30, 2022 was \$4,252. The office equipment lease expires in fiscal year 2027. Monthly payment amounts are \$439.

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 169,730	\$ 72,846	\$ 48,661	\$ 21,915
2024	152,381	67,233	49,772	20,472
2025	130,548	62,660	51,093	18,908
2026	136,101	58,397	53,016	17,344
2027	136,174	53,983	54,562	15,721
2028 - 2032	745,586	200,149	262,089	53,061
2033 - 2037	674,808	80,386	164,192	19,559
2038 - 2041	140,431	3,261	44,569	793.00
Total	\$ 2,285,759	\$ 598,915	\$ 727,954	\$ 167,773

G. Leases – Lessor

The City accounts for leases in accordance with GASB Statement No. 87, *Leases*. The City's operations consist of agreements for use of land, cell tower space and buildings. The agreements are made up of various non-cancelable agreements for land, cell tower space and buildings, which expire between the years 2026 and 2072. The City recognized \$40,958 of lease revenue principal and \$- of lease interest for the year ended September 30, 2022. Subsequent to year end, the City sold the rights to its cell tower. The entire receivable amount is show as current. (See Note 10).

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30, 2022:

	Principal	Interest	Total Future Minimum Lease Payments
2023	\$ 982,765	\$ 8,264	\$ 991,029
2024	32,369	7,261	39,630
2025	34,634	6,185	40,819
2026	36,224	5,043	41,267
2027	30,554	3,961	34,515
2028-2030	106,365	5,759	112,124
Total	\$ 1,222,911	\$ 36,473	\$ 1,259,384

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

H. Asset Retirement Obligation

Asset retirement obligations generally apply to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction, or development and the normal operation of a long-lived asset. The City assesses asset retirement obligations on a periodic basis. If a reasonable estimate of fair value can be made, the fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred or a change in estimate occurs.

The City has an above ground fuel storage tank which is regulated by Florida Administrative Code (FAC) 62-762, and requires certain activities if use of the fuel storage tank is discontinued. The City has determined it cannot reasonably estimate the fair value of the liability for disposal of this item and, accordingly, has not recorded an asset retirement obligation for this matter.

Note 4: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City's risk management activities are recorded in the General and Enterprise Funds. The funds administer the health, property and liability, and workers' compensation insurance activities of the City.

Significant losses are covered by insurance through a public entity risk pool for all major programs except employee health care, which is covered by commercial insurance. For insured programs, there have been no significant reductions in insurance coverage. There have been no settlements that exceeded insurance coverage for each of the past three fiscal years.

Note 5: PROPERTY TAXES

Property taxes are billed and collected within the same fiscal period, and are reflected on the cash basis when received from the tax collector. Since virtually all taxes levied will be collected through the tax collection process, remittances in October and November for prior year taxes are insignificant. Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State that regulate tax assessments are designed to assure a consistent property valuation method. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. For the year ended September 30, 2022, the millage rate assessed by the City was 5.3226 mills.

Note 5: PROPERTY TAXES (Continued)

The tax levy of the City is established by the City Council prior to October 1 of each year. The Indian River County Property Appraiser incorporates the City's millage into the total tax levy.

All property is reassessed according to its fair market value at January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

All taxes are due and payable on November 1 (levy date) of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 15 following the year in which they are assessed.

Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March, and thereafter, are without a discount.

On or prior to June 1 of each fiscal year, tax certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold tax certificates are held by the County.

Note 6: CONTINGENT LIABILITIES

The City participates in various federal and state grant programs from year-to-year, which are governed by various rules and regulations of the grantor agencies. Therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any funding may be required. In the opinion of the City's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the financial statements for such contingencies.

Note 7: BENEFIT PLANS

Governmental Money Purchase Plan and Trust

Beginning October 1, 2008, the City established a governmental money purchase defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The plan is administered by an independent plan administrator through an administrative service agreement.

Note 7: BENEFIT PLANS (Continued)

Participation in the plan is limited to charter officers and department heads (participants) whereby the employees defer a portion of their salary in the form of plan contributions. In addition to employee contributions, the City has agreed to contribute 13% of employee salaries and wages for employees who contributed 4% in 2022. Although the charter officers and department heads may participate in both the deferred compensation plan (see Note 8) and the governmental money purchase plan and trust, the City will contribute to only one plan on their behalf. Total City contributions to the plan amounted to \$71,785 for the fiscal year ended September 30, 2022. The money purchase plan is not available to employees until termination, retirement, death, or financial hardship.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the City employees and their beneficiaries and are not accessible by the City or its creditors. Neither the City nor the independent plan administrator have any liability for losses under the plan agreement, but they do have the duty of due care that would be required of any ordinary prudent investor.

Health Reimbursement Account

Beginning October 1, 2006 the City established a health reimbursement account and a retirement health savings plan for the benefit of the employees. Both accounts are administered by an independent plan administrator through administrative service agreements. The City credits a flat dollar amount to the health reimbursement account which will vary pursuant to the annual budget appropriation. That amount is then used to pay eligible health claims. For the year ended September 30, 2022, the City credited \$3,000 to each employee's account, and an additional \$3,000 to those employees with dependent coverage for a total of \$6,000, which amounted to \$159,000. All full-time employees participate in the plan.

For the year ended September 30, 2022, the employees' remaining balance in the health reimbursement account amounted to \$240,667.

The retirement health reimbursement account is administered by an independent plan administrator who also manages the associated funds. All amounts deposited into the fund, all property and rights purchased with those amounts, and all income attributable to those accounts are solely the property and rights of the City employees and their beneficiaries, and are not accessible by the City or its creditors. Neither the City nor the independent plan administrator have any liability for losses under the plan agreement, but they do have the duty of due care that would be required of any ordinary prudent investor.

City of Fellsmere, Florida
Notes to Financial Statements

Note 8: DEFERRED COMPENSATION PLAN

Beginning July 1, 1997, the City established a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan is administered by an independent plan administrator through an administrative service agreement. Participation in the plan is available to all City employees (participants) whereby the employees defer a portion of their salary in the form of plan contributions. In addition to employee contributions, the City has agreed to contribute 13% of employee salaries and wages for employees who contributed 4% in 2022.

Employer and employee contributions to the plan were \$119,742 and \$82,387, respectively, in 2022. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the City employees and their beneficiaries and are not accessible by the City or its creditors. Neither the City nor the independent plan administrator have any liability for losses under the plan agreement, but they do have the duty of due care that would be required of any ordinary prudent investor.

Note 9: FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASBC 1300, *Fund Accounting*, the City classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Infrastructure	ARPA	Nonmajor Governmental Funds	Totals
Nonspendable:					
Prepaid items	\$ 55,010	\$ -	\$ -	\$ -	\$ 55,010
Total nonspendable	55,010	-	-	-	55,010
Restricted for:					
Capital Projects	-	557,559	-	568,598	1,126,157
Brookside Cemetery	56,240	-	-	-	56,240
Total restricted	56,240	557,559	-	568,598	1,182,397
Unassigned	1,298,564	-	9	-	1,298,573
Total fund balances, governmental funds	\$ 1,409,814	\$ 557,559	\$ 9	\$ 568,598	\$ 2,535,980

Note 10: SUBSEQUENT EVENTS

On December 22, 2022, the City entered into a 50-year telecommunication easement and lease assignment agreement with TPA V, LLC for the rights of future revenues through December 22, 2072. The total consideration was \$1,010,000 less settlement costs of approximately \$57,141. The remaining balance due was \$952,859, which included \$20,496 of lease payments received between October 2022 and January 2023 when the sale was completed.

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

City of Fellsmere, Florida
Combining Balance Sheet
Nonmajor Governmental Funds

	Special Revenue								
	Local Option Gas Tax	CDBG	HC&J Stormwater Grant Park	South Regional Lake PHII	Historic Train Village	Tap S. Broadway Sidewalk	HMGP	Cares Act Fund	
<i>September 30, 2022</i>									
ASSETS									
Cash and cash equivalents	\$ 324,026	\$ -	\$ 1,750	\$ 654	\$ 4,082	\$ 20,876	\$ 5,330	\$ -	
Due from other governments	28,288	-	-	280,669	-	46,483	-	-	
Total assets	\$ 352,314	\$ -	\$ 1,750	\$ 281,323	\$ 4,082	\$ 67,359	\$ 5,330	\$ -	
LIABILITIES									
Accounts payable	\$ 6,659	\$ -	\$ 1,750	\$ 202,323	\$ -	\$ 29,859	\$ 5,330	\$ -	
Unearned revenues	-	-	-	-	-	-	-	-	
Due to other funds	-	-	-	79,000	-	37,500	-	-	
Total liabilities	6,659	-	1,750	281,323	-	67,359	5,330	-	
FUND BALANCES									
Restricted	345,655	-	-	-	4,082	-	-	-	
Unrestricted / unassigned	-	-	-	-	-	-	-	-	
Total fund balances	345,655	-	-	-	4,082	-	-	-	
Total liabilities and fund balances	\$ 352,314	\$ -	\$ 1,750	\$ 281,323	\$ 4,082	\$ 67,359	\$ 5,330	\$ -	

Special Revenue

NY Sidewalk	DEO Sewer to Shrimp Farm	Little League Biodome Restoration	Economic Development & Resiliency	Special Projects	Community Redevelopment	Total
\$ 16,781	\$ 14,400	\$ 30	\$ -	\$ 100,284	\$ 136,063	\$ 624,276
75,901	-	50,000	-	-	-	481,341
\$ 92,682	\$ 14,400	\$ 50,030	\$ -	\$ 100,284	\$ 136,063	\$ 1,105,617
\$ 92,682	\$ 14,400	\$ 3,230	\$ -	\$ 490	\$ 2,978	\$ 359,701
-	-	-	-	14,018	-	14,018
-	-	46,800	-	-	-	163,300
92,682	14,400	50,030	-	14,508	2,978	537,019
-	-	-	-	85,776	133,085	568,598
-	-	-	-	-	-	-
-	-	-	-	85,776	133,085	568,598
\$ 92,682	\$ 14,400	\$ 50,030	\$ -	\$ 100,284	\$ 136,063	\$ 1,105,617

City of Fellsmere, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Special Revenue

<i>For the year ended September 30, 2022</i>	Local Option Gas Tax	CDBG	HC&J Stormwater Grant Park	South Regional Lake PHII	Historic Train Village	Tap S. Broadway Sidewalk	HMGP	Cares Act Fund
REVENUES								
Taxes:								
Motor fuel	\$ 166,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	379,788	-	343,934	-	237,594	-	136,528
Other revenues	-	-	-	-	-	-	-	-
Total revenues	166,319	379,788	-	343,934	-	237,594	-	136,528
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	136,528
Transportation	56,801	-	-	-	-	-	-	-
Capital outlay	-	400,423	12,700	353,633	-	359,963	34,400	-
Total expenditures	56,801	400,423	12,700	353,633	-	359,963	34,400	136,528
Excess (deficiency) of revenues over (under) expenditures	109,518	(20,635)	(12,700)	(9,699)	-	(122,369)	(34,400)	-
OTHER FINANCING SOURCES (USES)								
Transfers in	-	20,635	12,700	9,699	-	122,369	34,400	-
Transfers out	(56,490)	-	-	-	-	-	-	-
Total other financing sources (uses)	(56,490)	20,635	12,700	9,699	-	122,369	34,400	-
Net change in fund balances	53,028	-	-	-	-	-	-	-
Fund balances, beginning of year	292,627	-	-	-	4,082	-	-	-
Fund balances, end of year	\$ 345,655	\$ -	\$ -	\$ -	\$ 4,082	\$ -	\$ -	\$ -

City of Fellsmere, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Special Revenue							
		Little					
	DEO	League	Economic		Community		
NY	Sewer to	Biodome	Development	Special	Redevelopment		Total
Sidewalk	Shrimp Farm	Restoration	& Resiliency	Projects			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 166,319	
75,901	-	50,000	35,000	-	-	1,258,745	
-	3,000	-	-	-	20,767	23,767	
75,901	3,000	50,000	35,000	-	20,767	1,448,831	
-	-	-	-	-	30,407	30,407	
-	-	-	70,000	16,727	-	223,255	
-	-	-	-	-	631	57,432	
120,697	14,400	78,659	-	-	8,993	1,383,868	
120,697	14,400	78,659	70,000	16,727	40,031	1,694,962	
(44,796)	(11,400)	(28,659)	(35,000)	(16,727)	(19,264)	(246,131)	
44,796	11,400	28,659	35,000	-	31,049	350,707	
-	-	-	-	-	-	(56,490)	
44,796	11,400	28,659	35,000	-	31,049	294,217	
-	-	-	-	(16,727)	11,785	48,086	
-	-	-	-	102,503	121,300	520,512	
\$ -	\$ -	\$ -	\$ -	\$ 85,776	\$ 133,085	\$ 568,598	

City of Fellsmere, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual for Community Redevelopment Agency
Florida Statutes Section 10.554(1)(i)6-8

<i>Year Ended September 30, 2022</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Other revenue	\$ 20,500	\$ 20,500	20,767	\$ 267
Total revenues	20,500	20,500	20,767	267
Expenditures				
Current:				
General government	48,000	48,000	30,407	17,593
Transportation	-	-	631	(631)
Capital outlay	-	-	8,993	(8,993)
Total expenditures	48,000	48,000	40,031	7,969
Excess of revenues over expenditures	(27,500)	(27,500)	(19,264)	8,236
Other financing sources (uses)				
Transfers in	27,500	27,500	31,049	3,549
Transfers out	-	-	-	-
Total other financing sources (uses)	27,500	27,500	31,049	3,549
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	11,785	11,785
Fund balances (deficits), beginning of year	121,300	121,300	121,300	-
Fund balances (deficits), end of year	\$ 121,300	\$ 121,300	\$ 133,085	\$ 11,785



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

The Honorable Mayor and Members of the City Council
of the City of Fellsmere, Florida

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fellsmere, Florida (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 8, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs (2022-001), that we considered to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fellsmere, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

City of Fellsmere, Florida's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Fellsmere, Florida's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Fellsmere, Florida's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

Melbourne, Florida

March 8, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor and Members of the City Council
of the City of Fellsmere, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Fellsmere, Florida's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fellsmere, Florida's major federal programs for the year ended September 30, 2022. The City of Fellsmere, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Fellsmere, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Fellsmere, Florida and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Fellsmere, Florida's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Fellsmere, Florida's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Fellsmere, Florida's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Fellsmere, Florida's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Fellsmere, Florida's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Fellsmere, Florida's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purposes of expressing an opinion on the effectiveness of the City of Fellsmere, Florida's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control and therefore, material weaknesses or significant deficiencies may

exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Fellsmere, Florida's response to internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Fellsmere, Florida's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

Melbourne, Florida
March 8, 2023

City of Fellsmere, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2022

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(es) identified? yes none noted

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(es) identified? yes none noted

Type of auditors’ report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)? yes none noted

Identification of major federal programs:

Federal ALN	Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
66.460	Nonpoint Source Implementation Grant

Dollar threshold used to distinguish between type A and B programs was \$750,000 for major federal programs.

Auditee qualified as a low-risk auditee for federal purposes? yes no

City of Fellsmere, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2022

SECTION II—FINANCIAL STATEMENT FINDINGS

2022-001 CUTOFF

Condition: Grant revenue in the amount of \$20,178 that was recognized in prior year was being recognized again in the current year.

Criteria: Grant revenue should be recognized in the proper period.

Cause: The City did not properly record the cash receipt in the current year that was included as a grant receivable in the prior year.

Effect: Intergovernmental revenue was overstated by \$20,178.

Recommendation: We recommend management should reconcile revenue accounts to ensure cash receipts are properly credited to accounts receivable in the proper period.

Management Response: The City staff have discussed this oversight and will take steps to ensure that such a condition will not happen again.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-002 SUSPENSION AND DEBARMENT

U.S. Department of Treasury

ALN 21.027 – COVID-19 Coronavirus State and Local Recovery Funds

Contract No. Y5082 (2021)

2022 Funding

U.S. Department of Environmental Protection

Passed through Florida Department of Economic Opportunity

ALN 66.460 – Nonpoint Source Implementation Grant

Contract No. NF068 (2020)

2022 Funding

Criteria: 2 CFR 200.303 requires non-federal entities to establish and maintain effective internal controls. 2 CFR 200.214 requires that prior to entering into subawards and contracts with award funds, recipients must verify that such contractors and subrecipients are not suspended or debarred, or otherwise excluded.

Condition: There was no documented evidence that City management performed a search for suspension or debarment of its vendors receiving federal awards.

City of Fellsmere, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2022

Cause of condition: The City does not have a procedure or control in place to verify a vendor is suspended or debarred.

Effect: A vendor who is suspended or debarred may receive federal funding, which would result in questioned costs.

Questioned Costs: None Noted

Perspective: None of the vendors that exceeded the threshold were checked to determine if they were suspended or debarred.

Recommendation: We recommend the City establish a procedure that requires a search for suspension and debarment for vendors receiving grant funds in excess of \$25,000.

Management's Response: Whenever the City has a State or Federal grant, we always ensure that the vendors we do business with are not debarred from receiving State or Federal money. In this instance, we were buying relatively small tracts of land from our local pizza shop owner, a private individual, and we did not realize that the same rules applied. We have since ascertained that this individual is in fact not debarred. Going forward, Finance will ensure all expenditures of this nature document that the vendors are not debarred individuals.

SECTION IV- PRIOR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

City of Fellsmere, Florida
Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2022

Federal Agency, Pass-through Entity, <u>Federal Program</u>	<u>Assistance Listing</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION				
Passed through Florida Department of Environmental Protection:				
Nonpoint Source Implementation Grant	66.460	NF068	\$ 343,934	\$ -
Total U.S. Department of Environmental Protection			343,934	-
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Passed through Florida Department of Economic Opportunity:				
Community Development Block Grant/State's program and Non-Entitlement Grants	14.228	20DB-OO-10-40-02-N13	379,788	-
Total U.S. Department of Housing & Urban Development			379,788	-
U.S. DEPARTMENT OF TREASURY				
Direct Program:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Y5082	234,493	-
Passed through Indian River County:				
COVID-19 - Coronavirus Relief Fund	21.019		136,528	-
Total U.S. Department of Treasury			371,021	-
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Florida Department of Transportation:				
Highway Planning and Construction	20.205	G-1553	258,312	-
Highway Planning and Construction	20.205	G-2723	75,901	-
Total Highway Planning & Construction Cluster			334,213	-
Total U.S. Department of Transportation			334,213	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,428,956	\$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A

The Schedule of Expenditures of Federal Awards is a summary of the activity of the City's Federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE B

The Uniform Guidance allows a City to elect a 10% de minimis indirect cost rate. For the year ended September 30, 2022, the City elected not to use the rate.

NOTE C

The City did not receive any noncash assistance during the year ended September 30, 2022.

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Joel Tyson, Mayor

Mark D. Mathes, City Manager

cultivate. nurture. grow...



Fellsmere

The responsible party is Putnam Moreman, Finance Director. The findings will be corrected by October, 2023.

2022-001 CUTOFF

Recommendation: We recommend management should reconcile revenue accounts to ensure cash receipts are properly credited to accounts receivable in the proper period.

Management Response: The City staff have discussed this oversight and will take steps to ensure that such a condition will not happen again.

2022-002 SUSPENSION AND DEBARMENT

U.S. Department of Treasury

ALN 21.027 – COVID-19 Coronavirus State and Local Recovery Funds

Contract No. Y5082 (2021)

2022 Funding

U.S. Department of Environmental Protection

Passed through Florida Department of Economic Opportunity

ALN 66.460 – Nonpoint Source Implementation Grant

Contract No. NF068 (2020)

2022 Funding

Recommendation: We recommend the City establish a procedure that requires a search for suspension and debarment for vendors receiving grant funds in excess of \$25,000.

Management's Response: Whenever the City has a State or Federal grant, we always ensure that the vendors we do business with are not debarred from receiving State or Federal money. In this instance, we were buying relatively small tracts of land from our local pizza shop owner, a private individual, and we did not realize that the same rules applied. We have since ascertained that this individual is in fact not debarred. Going forward, Finance will ensure all expenditures of this nature document that the vendors are not debarred individuals.

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

The Honorable Mayor and Members of the City Council
of the City of Fellsmere, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Fellsmere, Florida as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated March 8, 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, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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*, Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance, Schedule of Findings and Questioned Costs, and Independent Accountants' Report on Compliance with Local Government Investment Policies 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 and schedule, which are dated March 8, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial 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 legal authority of the City of Fellsmere, Florida as well as its blended component unit is disclosed in the notes to the financial statements.

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Fellsmere, Florida. It is management's responsibility to monitor the City of Fellsmere, 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 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, 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 within the audited financial statements of the county, municipality, or special district in accordance 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

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the City of Fellsmere Community Redevelopment Agency reported the schedule below. This information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

- a. Total number of District employees compensated in the last pay period of the District's fiscal year **None**
- b. Total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year **None**
- c. All compensation earned by or awarded to employees, whether paid or accrued **None**
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued **None**
- e. Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin after October 1 of the fiscal year being reported, together with the expenditures of for such projects. **None**
- 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 **See page 76**

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the City of Fellsmere Community Redevelopment Agency reported:

- a. The millage rate or rates imposed by the District **5.3226 mills**
- b. The total amount of ad valorem taxes collected by or on behalf of the District **\$20,694**
- c. The total amount of outstanding bonds issued by the District and the terms of such bonds **None**

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)8, Rules of the Auditor General, does not apply as the City of Fellsmere Community Redevelopment Agency did not impose any special assessments.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not 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, the members of the City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Melbourne, Florida

March 8, 2023



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

The Honorable Mayor and Members of the City Council
Of the City of Fellsmere, Florida

We have examined the City of Fellsmere, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2022. Management of the City of Fellsmere, Florida is responsible for the City of Fellsmere, Florida's compliance with the specified requirements. Our responsibility is to express an opinion on the City of Fellsmere, Florida's compliance with the specified requirements based on our examination.

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

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

Our examination does not provide a legal determination on the City of Fellsmere, Florida's compliance with specified requirements.

In our opinion, the City of Fellsmere, Florida complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2022.

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

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

Melbourne, Florida
March 8, 2023