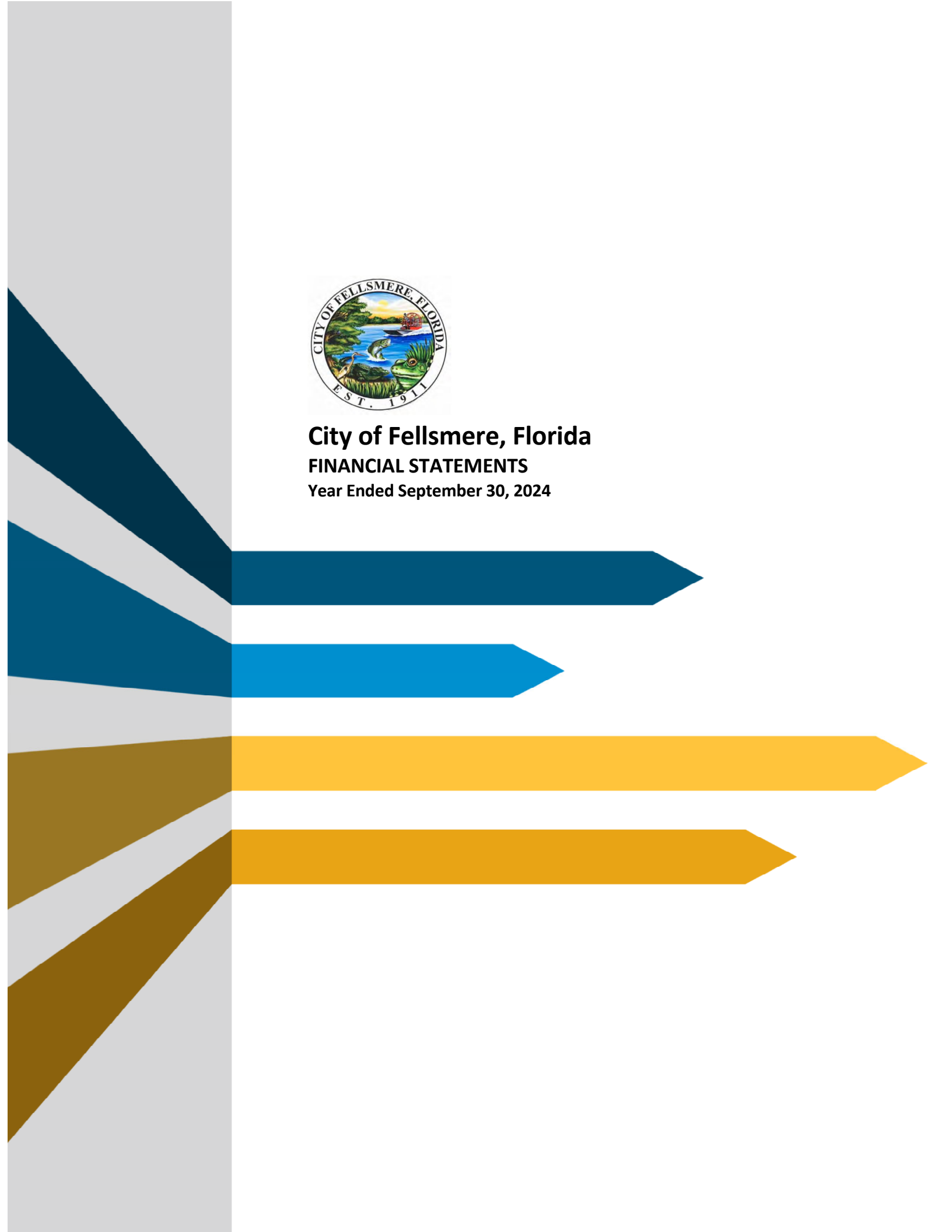




City of Fellsmere, Florida
FINANCIAL STATEMENTS
Year Ended September 30, 2024



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**City of Fellsmere, Florida
City Officials
Year ended September 30, 2024**

Joel Tyson
Mayor

Fernando Herrera
Vice Mayor

Inocensia Hernandez
Jessica Salgado
Ben Baker
Council Members

Warren W. Dill
City Attorney

Noah Powers
Interim City Manager

Maria Suarez-Sanchez
City Clerk

Keith M. Touchberry
Chief of Police

Andy Shelton
Public Works Director

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INDEPENDENT AUDITOR'S 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, 2024, 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, and the aggregate remaining fund information of the City as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditor's 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.

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.

Auditor's 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 auditor's 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, and budget vs actual schedules 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 auditor's 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 November 14, 2025 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
November 14, 2025

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, 2024:

- The City's assets exceeded its liabilities at the close of the fiscal year 2024 by \$32,234,337 (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 \$3,810,989.
- The City's total net position increased by \$2,541,597, resulting from an increase of \$2,698,392 from Governmental activities and a decrease of (\$156,795) from Business-type activities.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,260,542 or 96.1% of the total general fund balance.
- General fund revenue increased by \$6,043 or .1% and expenditures increased by \$162,586 or 5.34%. The increase in expenditures is due to an increase in public safety salaries.
- The City decreased the external debt by \$192,712 in the 2024 fiscal year.

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).

City of Fellsmere, Florida Management's Discussion and Analysis

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.

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.

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, Grants Fund, IRC ARPA 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.

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.

City of Fellsmere, Florida
Management's Discussion and Analysis

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.

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.

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 \$32,234,337 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets:						
Current and other assets	\$ 9,001,100	\$ 5,815,964	\$ 3,741,798	\$ 3,722,137	\$ 12,742,898	\$ 9,538,101
Capital assets, net	22,347,480	21,119,332	6,023,190	6,246,800	28,370,670	27,366,132
Total assets	31,348,580	26,935,296	9,764,988	9,968,937	41,113,568	36,904,233
Liabilities:						
Noncurrent liabilities	2,245,542	2,251,461	506,665	686,231	2,752,207	2,937,692
Other liabilities	4,385,595	2,623,263	644,862	495,041	5,030,457	3,118,304
Total liabilities	6,631,137	4,874,724	1,151,527	1,181,272	7,782,664	6,055,996
Deferred inflows of resources:						
Deferred revenue - business tax receipts	511,891	553,413	584,676	602,085	1,096,567	1,155,498
Total deferred inflows	511,891	553,413	584,676	602,085	1,096,567	1,155,498
Net position:						
Net investment in capital assets	20,378,369	18,998,020	5,537,708	5,567,505	25,916,077	24,565,525
Restricted	1,388,847	1,013,000	1,181,939	772,455	2,570,786	1,785,455
Unrestricted	2,438,336	1,496,139	1,309,138	1,845,620	3,747,474	3,341,759
Total net position	\$ 24,205,552	\$ 21,507,159	\$ 8,028,785	\$ 8,185,580	\$ 32,234,337	\$ 29,692,739

A substantial portion of the City's net position (80.4%) 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.

City of Fellsmere, Florida
Management's Discussion and Analysis

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.

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

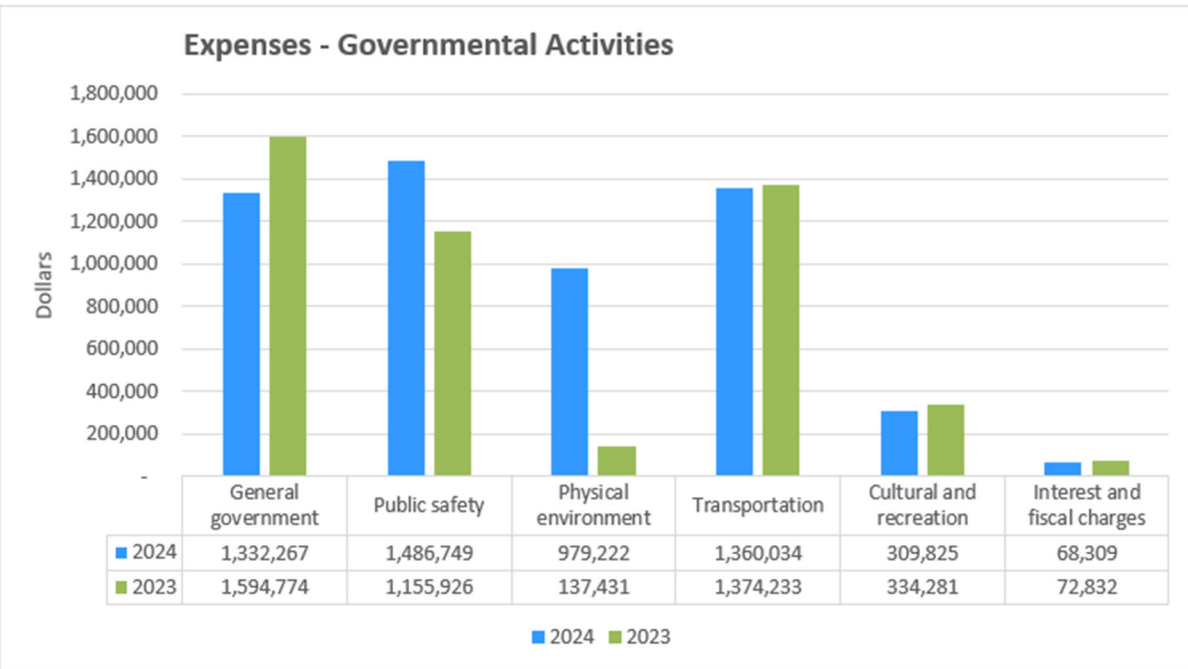
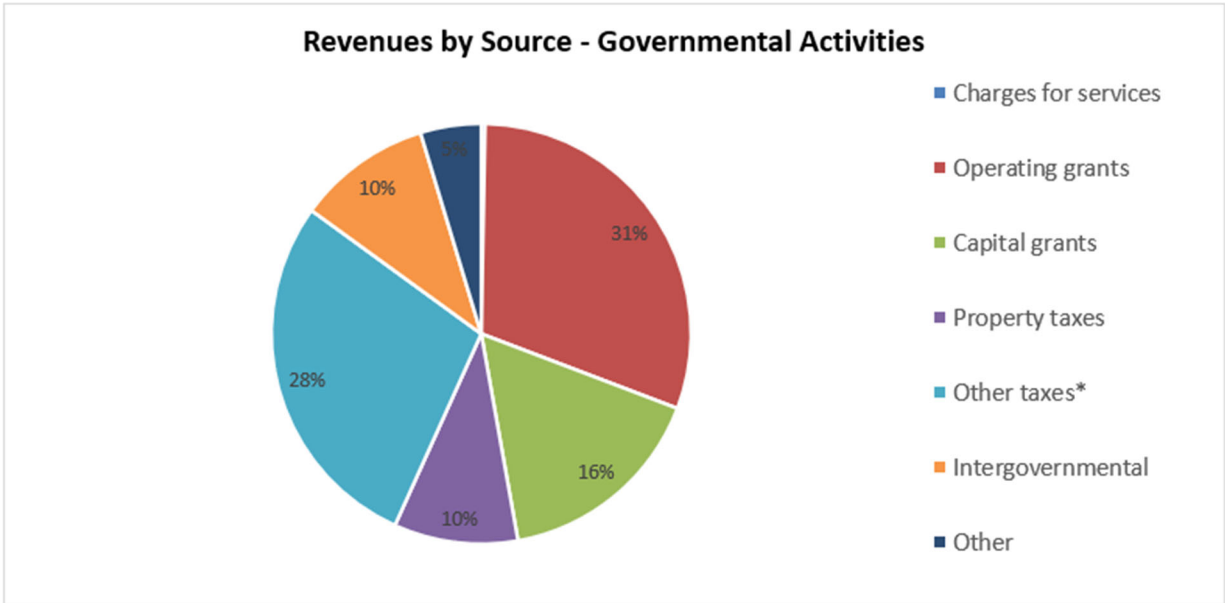
	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Program revenues:						
Charges for services	\$ 23,199	\$ 16,002	\$ 2,023,578	\$ 1,894,489	\$ 2,046,777	\$ 1,910,491
Operating grants	2,399,160	560,570	-	-	2,399,160	560,570
Capital grants	1,292,306	668,094	-	495,736	1,292,306	1,163,830
General revenues:						
Property taxes	752,175	687,741	-	-	752,175	687,741
Other taxes*	2,222,457	2,753,460	-	-	2,222,457	2,753,460
Intergovernmental	813,245	305,619	-	-	813,245	305,619
Other	368,167	462,481	129,101	183,973	497,268	646,454
Total revenues	7,870,709	5,453,967	2,152,679	2,574,198	10,023,388	8,028,165
Expenses:						
General government	1,332,267	1,594,774	-	-	1,332,267	1,594,774
Public safety	1,486,749	1,155,926	-	-	1,486,749	1,155,926
Physical environment	979,222	137,431	-	-	979,222	137,431
Transportation	1,360,034	1,374,233	-	-	1,360,034	1,374,233
Cultural and recreation	309,825	334,281	-	-	309,825	334,281
Interest and fiscal charges	68,309	72,832	-	-	68,309	72,832
Water & Wastewater	-	-	1,405,316	1,707,428	1,405,316	1,707,428
Community development	-	-	517,746	415,688	517,746	415,688
Stormwater system	-	-	22,323	26,994	22,323	26,994
Total expenses	5,536,406	4,669,477	1,945,385	2,150,110	7,481,791	6,819,589
Change in net position, before transfers:	2,334,303	784,490	207,294	424,088	2,541,597	1,208,578
Transfers	364,089	270,586	(364,089)	(270,586)	-	-
Change in net position	2,698,392	1,055,076	(156,795)	153,502	2,541,597	1,208,578
Net position -beginning of year	21,507,160	20,452,083	8,185,580	8,032,078	29,692,740	28,484,161
Net position - ending	\$ 24,205,552	\$ 21,507,160	\$ 8,028,785	\$ 8,185,580	\$ 32,234,337	\$ 29,692,740

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

Governmental activities. Governmental activities increased the City's net position by \$2,698,392. Key elements of this increase is as follows:

- Operating grants increased by \$1,838,590 or 400%. The increase is primarily due to the utilization of the ARPA grant.
- Property and other taxes decreased \$469,569 or 13.6%, due to the improved real estate values in the County, and a slightly decreased of intergovernmental revenue in the eighth cent motor fuel tax, half cent sales tax and state revenue share on the other hand.
- This year we had Capital Grants totaling \$1,292,306, which was 93.4% more than 2023. Mainly due to receiving grants for stormwater.
- Governmental expenses increased \$866,929, or 18.6% over the 2023 fiscal year, mainly due to insurance and employee wages & benefits related expenses increased.

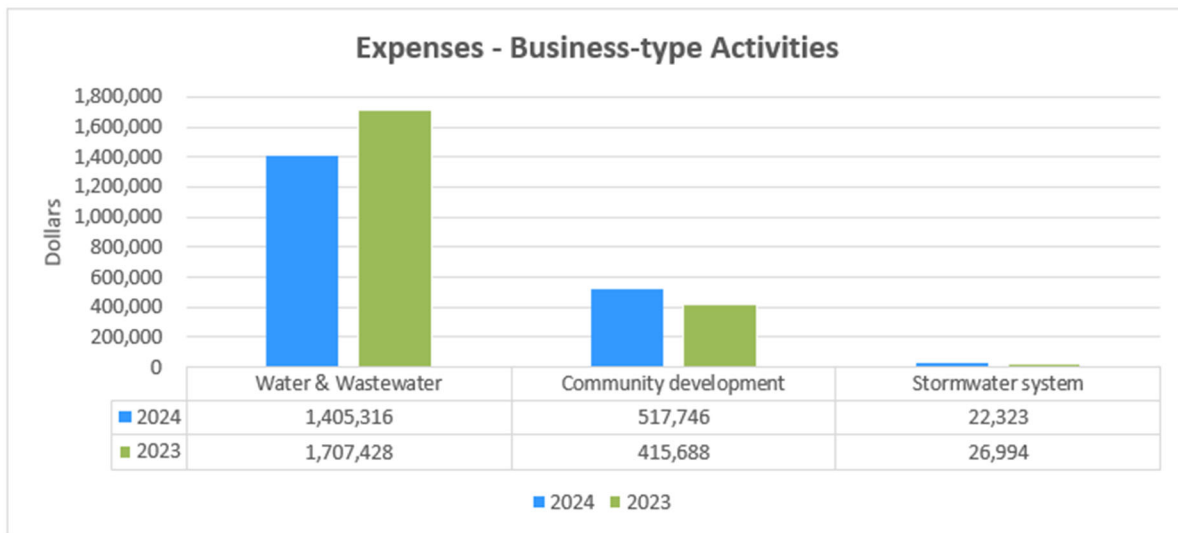
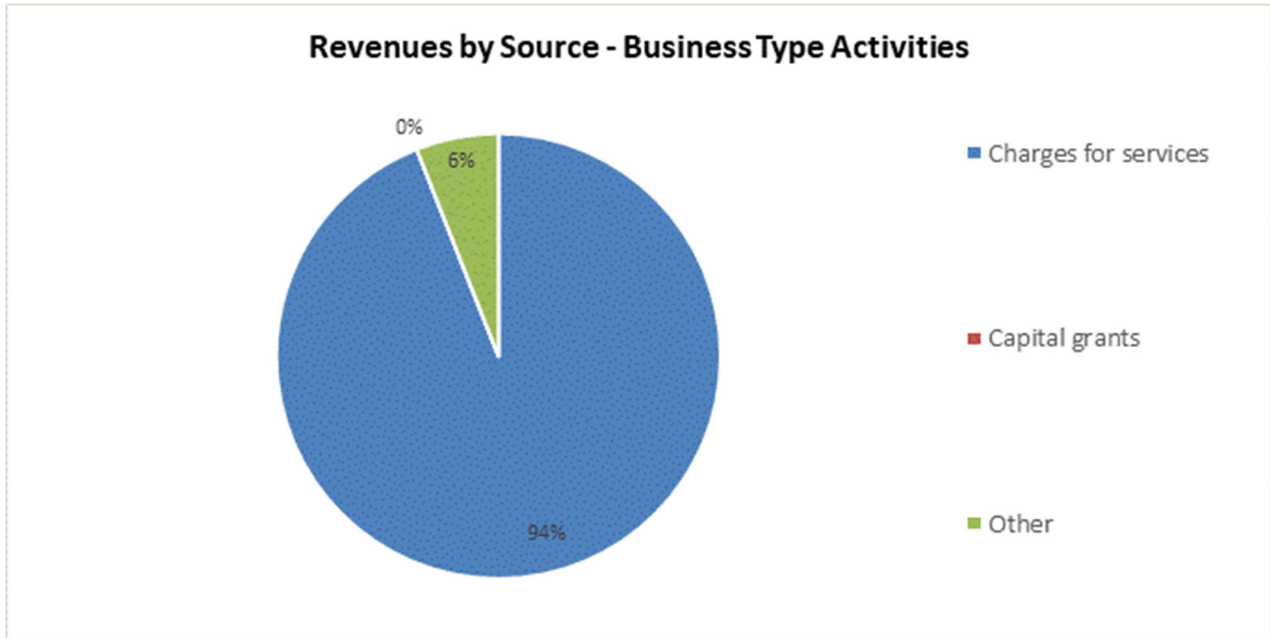
**City of Fellsmere, Florida
Management's Discussion and Analysis**



**City of Fellsmere, Florida
Management's Discussion and Analysis**

Business-type activities. Business-type activities decreased the City’s net position by \$156,795. Key elements of this increase are as follows:

- There weren’t any capital grants for 2024.



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.

City of Fellsmere, Florida Management's Discussion and Analysis

As of the end of the recent fiscal year, the City's governmental funds reported combined ending fund balances of \$2,853,752, an increase of \$214,464 in comparison with the prior year. An amount of \$1,372,817 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 \$3,260,542 while the total fund balance reached \$3,394,170. 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 101% of total general fund expenditures, while total fund balance represents 105% of that same amount. The fund balance of the City's General Fund increased by \$1,653,385 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 8.

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 \$1,372,653. The total for unrestricted net position (deficit) for each of these funds was \$1,665,175 (\$583,780) and \$291,258, 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 2024, the City had \$28,370,670 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, deductions, and depreciation) of \$1,004,538, approximately 3.6% more than last year.

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

- Construction in progress and land purchases of \$2,273,833

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

- Depreciation expense of \$254,824

City of Fellsmere, Florida
Management's Discussion and Analysis

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 7,958,208	\$ 7,144,173	\$ 445,699	\$ 445,699	\$ 8,403,907	\$ 7,589,872
Construction in progress	2,258,429	798,631	-	-	2,258,429	798,631
Buildings	1,940,618	2,221,482	-	-	1,940,618	2,221,482
Improvements other than buildings	737,242	761,239	-	-	737,242	761,239
Machinery and equipment	293,102	253,239	5,577,491	5,801,101	5,870,593	6,054,340
Infrastructure	9,148,650	9,924,470	-	-	9,148,650	9,924,470
Right-to-use lease assets	11,231	16,098	-	-	11,231	16,098
Total capital assets, net	\$ 22,347,480	\$ 21,119,332	\$ 6,023,190	\$ 6,246,800	\$ 28,370,670	\$ 27,366,132

Additional information on the City's capital assets can be found in Note 2-C of this report.

Long-term debt. At the conclusion of the 2024 fiscal year, the City of Fellsmere had a total outstanding debt of \$2,602,428, reflecting a decrease of \$192,712 from 2023. There was a new loan in the current year for vehicles.

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Capital improvement revenue bond, 2022	\$ 1,952,519	\$ 2,074,772	\$ 485,482	\$ 515,228	\$ 2,438,001	\$ 2,590,000
Construction loans	-	-	-	164,067	-	164,067
Vehicles note	153,300	24,976	-	-	153,300	24,976
Lease liabilities	11,127	16,098	-	-	11,127	16,098
Total long-term debt	\$ 2,116,946	\$ 2,115,846	\$ 485,482	\$ 679,295	\$ 2,602,428	\$ 2,795,141

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2025 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 2024 fiscal year, unassigned fund balance in the general fund increased to \$3,260,542. For the 2024 fiscal year, the City adopted the millage rate at 5.000 (.1% greater than the rolled back rate 4.9506).

The City implemented a CPI increase of 4.00% 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 the 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

City of Fellsmere, Florida
Statement of Net Position

<i>September 30, 2024</i>	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,486,279	\$ 1,201,825	\$ 5,688,104
Investments	2,699,807	647,152	3,346,959
Accounts receivable	103,071	254,374	357,445
Lease receivables	207,777	-	207,777
Due from other governments	1,572,726	-	1,572,726
Internal balances	(236,613)	236,613	-
Inventories	-	70,604	70,604
Restricted cash and cash equivalents	75,965	1,328,786	1,404,751
Prepaid items	92,088	2,444	94,532
Capital assets:			
Nondepreciable			
Land	7,958,208	445,699	8,403,907
Construction in progress	2,258,429	-	2,258,429
Depreciable, net of accumulated depreciation and amortization			
Buildings	1,940,618	-	1,940,618
Improvements other than buildings	737,242	-	737,242
Machinery and equipment	293,102	5,577,491	5,870,593
Infrastructure	9,148,650	-	9,148,650
Right-to-use lease assets	11,231	-	11,231
Total assets	31,348,580	9,764,988	41,113,568

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

<i>September 30, 2024</i>	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable and accrued liabilities	876,944	167,989	1,044,933
Due to other governments	94,907	19,842	114,749
Unearned revenues	3,413,744	457,031	3,870,775
Noncurrent liabilities:			
Due within one year			
Compensated absences	38,579	6,355	44,934
Lease liability	5,077	-	5,077
Bonds and notes payable	173,715	30,530	204,245
Due in more than one year			
Compensated absences	90,017	14,828	104,845
Lease liability	6,050	-	6,050
Bonds and notes payable	1,932,104	454,952	2,387,056
Total liabilities	6,631,137	1,151,527	7,782,664
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - lease revenue	511,891	576,166	1,088,057
Deferred revenue - business tax revenue	-	8,510	8,510
Total deferred inflows of resources	511,891	584,676	1,096,567
NET POSITION			
Net investment in capital assets	20,378,369	5,537,708	25,916,077
Restricted for:			
Debt service	-	100,199	100,199
Renewal and replacement	-	1,018,225	1,018,225
Cemetery perpetual care	61,540	-	61,540
Capital projects	1,327,307	-	1,327,307
Unrestricted	2,438,336	1,372,653	3,810,989
Total net position	\$ 24,205,552	\$ 8,028,785	\$ 32,234,337

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

City of Fellsmere, Florida
Statement of Activities

Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities:			
General government	\$ 1,332,267	\$ -	\$ 2,399,160
Public safety	1,486,749	4,465	-
Physical environment	979,222	18,734	-
Transportation	1,360,034	-	-
Culture and recreation	309,825	-	-
Interest and fiscal charges	68,309	-	-
Total governmental activities	5,536,406	23,199	2,399,160
Business-type activities:			
Water & Wastewater	1,405,316	1,574,750	-
Community development	517,746	293,636	-
Stormwater system	22,323	155,192	-
Total business-type activities	1,945,385	2,023,578	-
Total primary government	\$ 7,481,791	\$ 2,046,777	\$ 2,399,160

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
\$ -	\$ 1,066,893	\$ -	\$ 1,066,893
-	(1,482,284)	-	(1,482,284)
1,249,862	289,374	-	289,374
-	(1,360,034)	-	(1,360,034)
42,444	(267,381)	-	(267,381)
-	(68,309)	-	(68,309)
<u>1,292,306</u>	<u>(1,821,741)</u>	<u>-</u>	<u>(1,821,741)</u>
-	-	169,434	169,434
-	-	(224,110)	(224,110)
-	-	132,869	132,869
<u>-</u>	<u>-</u>	<u>78,193</u>	<u>78,193</u>
<u>\$ 1,292,306</u>	<u>(1,821,741)</u>	<u>78,193</u>	<u>(1,743,548)</u>
	752,175	-	752,175
	927,094	-	927,094
	162,696	-	162,696
	410,760	-	410,760
	560,374	-	560,374
	161,533	-	161,533
	-	-	-
	-	-	-
	182,902	24,385	207,287
	813,245	-	813,245
	185,265	104,716	289,981
	364,089	(364,089)	-
	<u>4,520,133</u>	<u>(234,988)</u>	<u>4,285,145</u>
	2,698,392	(156,795)	2,541,597
	21,507,160	8,185,580	29,692,740
	<u>\$ 24,205,552</u>	<u>\$ 8,028,785</u>	<u>\$ 32,234,337</u>

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

City of Fellsmere, Florida
Balance Sheet - Governmental Funds

<i>September 30, 2024</i>	General	Infrastructure	Grants Fund
ASSETS			
Cash and cash equivalents	\$ 544,327	\$ -	\$ -
Investments	1,625,256	-	-
Accounts receivable	103,071	-	-
Lease receivables	207,777	-	-
Due from other funds	1,350,173	901,150	-
Due from other governments	120,944	153,939	879,766
Restricted cash and cash equivalents	52,965	23,000	-
Prepaid items	72,088	-	20,000
Total assets	\$ 4,076,601	\$ 1,078,089	\$ 899,766
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 32,628	\$ 6,428	\$ 609,564
Accrued liabilities	43,005	-	-
Due to other funds	-	138,391	324,597
Due to other governments	94,907	-	-
Unearned revenues	-	-	-
Total current liabilities	170,540	144,819	934,161
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	-	859,766
Deferred revenue - lease revenue	511,891	-	-
Total deferred inflows of resources	511,891	-	859,766
Fund balances			
Nonspendable	72,088	-	20,000
Restricted	61,540	933,270	-
Unrestricted / unassigned (deficit)	3,260,542	-	(914,161)
Total fund balances	3,394,170	933,270	(894,161)
Total liabilities and fund balances	\$ 4,076,601	\$ 1,078,089	\$ 899,766

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

ARPA	IRC ARPA Funds	Nonmajor Funds	Total Governmental Funds
\$ 162,152	\$ 3,413,744	\$ 366,056	\$ 4,486,279
1,074,551	-	-	2,699,807
-	-	-	103,071
-	-	-	207,777
-	-	-	2,251,323
-	-	418,077	1,572,726
-	-	-	75,965
-	-	-	92,088
\$ 1,236,703	\$ 3,413,744	\$ 784,133	\$11,489,036
\$ 83,592	\$ -	\$ 101,727	\$ 833,939
-	-	-	43,005
1,153,111	-	871,837	2,487,936
-	-	-	94,907
-	3,413,744	-	3,413,744
1,236,703	3,413,744	973,564	6,873,531
-	-	390,096	1,249,862
-	-	-	511,891
-	-	390,096	1,761,753
-	-	-	92,088
-	-	394,037	1,388,847
-	-	(973,564)	1,372,817
-	-	(579,527)	2,853,752
\$ 1,236,703	\$ 3,413,744	\$ 784,133	\$11,489,036

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, 2024

Total fund balances - governmental funds		\$ 2,853,752
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 40,134,393	
Less: accumulated depreciation/amortization	<u>(17,786,913)</u>	22,347,480
<p>Unavailable grant revenue (related to reimbursement grant funds) is recorded as a liability in the fund statements, but is recorded as revenue in the governmental activities.</p>		
		1,249,862
<p>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.</p>		
Bond and note payable	\$ (2,105,819)	
Compensated absences	(128,596)	
Lease liability	(11,127)	(2,245,542)
Net position of governmental activities		<u>\$24,205,552</u>

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 Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds

<i>Year Ended September 30, 2024</i>	General	Infrastructure	Grants Fund
Revenues			
Taxes:			
Property	\$ 752,175	\$ -	\$ 70,135
Public utility	560,374	-	-
Sales	-	927,094	-
Motor fuel	-	-	-
Communications services	161,533	-	-
Franchise fees	410,760	-	-
Intergovernmental	827,250	-	-
Charges for services	9,150	-	-
Fines	4,465	-	-
Investment earnings	182,722	74	-
Other revenues	145,510	12,188	-
Total revenues	3,053,939	939,356	70,135
Expenditures			
Current:			
General government	891,943	1,736	-
Public safety	1,401,729	-	-
Physical environment	-	-	50,000
Transportation	784,875	-	-
Culture and recreation	112,097	-	-
Debt service:			
Principal	4,971	147,229	-
Interest and fiscal charges	1,306	67,003	-
Capital outlay	8,808	159,849	914,296
Total expenditures	3,205,729	375,817	964,296
Excess (deficiency) of revenues over (under) expenditures	(151,790)	563,539	(894,161)
Other financing sources (uses)			
Transfers in	1,788,256	-	-
Transfers out	(143,987)	-	-
Loan proceeds	153,300	-	-
Proceeds from sale of capital assets	7,606	-	-
Total other financing sources (uses)	1,805,175	-	-
Net change in fund balances	1,653,385	563,539	(894,161)
Fund balances (deficit), beginning of year	1,740,785	369,731	-
Fund balances (deficit), end of year	\$ 3,394,170	\$ 933,270	\$ (894,161)

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

ARPA	IRC ARPA Funds	Nonmajor Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 822,310
-	-	-	560,374
-	-	-	927,094
-	-	162,696	162,696
-	-	-	161,533
-	-	-	410,760
2,315,020	-	42,444	3,184,714
-	-	-	9,150
-	-	-	4,465
-	-	-	182,796
-	-	37,257	194,955
2,315,020	-	242,397	6,620,847
-	-	-	893,679
-	-	-	1,401,729
44,072	-	222,522	316,594
35,406	-	253,100	1,073,381
10,354	-	200	122,651
-	-	-	-
-	-	-	152,200
-	-	-	68,309
1,031,375	-	788,507	2,902,835
1,121,207	-	1,264,329	6,931,378
1,193,813	-	(1,021,932)	(310,531)
-	-	84,400	1,872,656
(1,193,821)	-	(170,759)	(1,508,567)
-	-	-	153,300
-	-	-	7,606
(1,193,821)	-	(86,359)	524,995
(8)	-	(1,108,291)	214,464
8	-	528,764	2,639,288
\$ -	\$ -	\$ (579,527)	\$ 2,853,752

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, 2024

Net change in fund balances - total governmental funds	\$	214,464
<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	\$ 2,902,835	
Less: current year depreciation/amortization	<u>(1,326,505)</u>	1,576,330
<p>In the statement of activities, only the gain (loss) on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets.</p>		
		(348,182)
<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>		
		(153,300)
<p>Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported regardless of when financial resources are available. This is the additional revenue recognized under the accrual basis.</p>		
		1,249,862
<p>Repayment of bond principal, loans, and leases 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>		
		152,200
<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>		
		7,018
<hr/>		
Change in net position of governmental activities	\$	2,698,392
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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, 2024</i>	Water & Wastewater	Community Development
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 900,070	\$ 15,100
Restricted cash and cash equivalents	1,328,786	-
Investments	647,152	-
Accounts receivable	169,459	80,307
Due from other funds	593,253	-
Inventories	70,604	-
Prepaid items	2,386	58
Total current assets	3,711,710	95,465
Noncurrent assets:		
Capital assets:		
Land	324,564	37,860
Machinery and equipment	9,879,815	8,104
Less accumulated depreciation	(4,348,452)	(8,104)
Total capital assets, net of accumulated depreciation	5,855,927	37,860
Total noncurrent assets	5,855,927	37,860
Total assets	9,567,637	133,325
LIABILITIES		
Current liabilities:		
Accounts payable	62,965	27,808
Accrued liabilities	61,148	16,063
Due to other funds	-	356,640
Due to other governmental units	-	19,842
Unearned revenues	210,362	246,669
Current portion of accrued compensated absences	5,241	1,114
Current portion of long-term debt	30,530	-
Total current liabilities	370,246	668,136
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	12,229	2,599
Long-term debt, net of current portion	454,952	-
Total noncurrent liabilities	467,181	2,599
Total liabilities	837,427	670,735
DEFERRED INFLOW OF RESOURCES		
Deferred revenue - lease revenue	576,166	-
Deferred revenue - business tax receipts	-	8,510
Total deferred inflow of resources	576,166	8,510
NET POSITION (DEFICIT)		
Net investment in capital assets	5,370,445	37,860
Restricted for:		
Debt service	100,199	-
Renewal and replacement	1,018,225	-
Unrestricted (deficit)	1,665,175	(583,780)
Total net position (deficit)	\$ 8,154,044	\$ (545,920)

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

Stormwater System - Nonmajor fund		Total	
\$	286,655	\$	1,201,825
	-		1,328,786
	-		647,152
	4,608		254,374
	-		593,253
	-		70,604
	-		2,444
	291,263		4,098,438
	83,275		445,699
	74,276		9,962,195
	(28,148)		(4,384,704)
	129,403		6,023,190
	129,403		6,023,190
	420,666		10,121,628
	5		90,778
	-		77,211
	-		356,640
	-		19,842
	-		457,031
	-		6,355
	-		30,530
	5		1,038,387
	-		14,828
	-		454,952
	-		469,780
	5		1,508,167
	-		576,166
	-		8,510
	-		584,676
	129,403		5,537,708
	-		100,199
	-		1,018,225
	291,258		1,372,653
\$	420,661	\$	8,028,785

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, 2024</i>	Water & Wastewater	Community Development	Stormwater System - Nonmajor fund	Total
Operating revenues:				
Charges for services	\$ 1,574,750	\$ -	\$ 155,192	\$ 1,729,942
Building permits, licenses and fees	-	293,636	-	293,636
Other revenues	47,095	57,621	-	104,716
Total operating revenues	1,621,845	351,257	155,192	2,128,294
Operating expenses:				
Salaries, wages and employee benefits	457,303	217,543	-	674,846
Contractual services, materials and supplies	677,628	300,028	17,587	995,243
Depreciation	249,913	175	4,736	254,824
Total operating expenses	1,384,844	517,746	22,323	1,924,913
Operating income (loss)	237,001	(166,489)	132,869	203,381
Nonoperating revenues (expenses):				
Interest income	20,607	3,617	161	24,385
Interest expense	(20,472)	-	-	(20,472)
Total nonoperating revenues (expenses)	135	3,617	161	3,913
Income (loss) before transfers and capital contributions	237,136	(162,872)	133,030	207,294
Transfers				
Transfers in	-	94,632	-	94,632
Transfers out	(275,395)	(41,250)	(142,076)	(458,721)
Total transfers	(275,395)	53,382	(142,076)	(364,089)
Change in net position	(38,259)	(109,490)	(9,046)	(156,795)
Net position (deficit), beginning of year	8,192,303	(436,430)	429,707	8,185,580
Net position (deficit), end of year	\$ 8,154,044	\$ (545,920)	\$ 420,661	\$ 8,028,785

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, 2024</i>	Water & Wastewater	Community Development	Stormwater System - Nonmajor fund	Total
Cash flows from operating activities:				
Cash received from customers for sales and services	\$ 1,596,019	\$ 430,278	\$ 161,019	\$ 2,187,316
Internal activity - payments (receipts) from other funds	(12,597)	12,555	-	(42)
Cash payments to employees	20,898	15,238	-	36,136
Cash payments to suppliers for goods and services	(1,105,340)	(509,967)	(17,582)	(1,632,889)
Net cash provided by (used in) operating activities	498,980	(51,896)	143,437	590,521
Cash flows from noncapital financing activities:				
Transfers from other funds	-	94,632	-	94,632
Transfers to other funds	(275,395)	(41,250)	(142,076)	(458,721)
Net cash provided by (used in) noncapital financing activities	(275,395)	53,382	(142,076)	(364,089)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(24,964)	-	(6,250)	(31,214)
Principal paid on long-term debt	(193,813)	-	-	(193,813)
Interest paid on long-term debt	(20,472)	-	-	(20,472)
Net cash used in capital and related financing activities	(239,249)	-	(6,250)	(245,499)
Cash flows from investing activities:				
Purchase of Investments	(36,892)	-	-	(36,892)
Interest on investments	20,607	3,617	161	24,385
Net cash provided by (use in) investing activities	(16,285)	3,617	161	(12,507)
Net increase (decrease) in cash and cash equivalents	(31,949)	5,103	(4,728)	(31,574)
Cash and cash equivalents, beginning of year	2,260,805	9,997	291,383	2,562,185
Cash and cash equivalents, end of year	\$ 2,228,856	\$ 15,100	\$ 286,655	\$ 2,530,611
Classified on the statement of net position as:				
Current assets:				
Cash and cash equivalents	\$ 900,070	\$ 15,100	\$ 286,655	\$ 1,201,825
Restricted cash and cash equivalents	1,328,786	-	-	1,328,786
	\$ 2,228,856	\$ 15,100	\$ 286,655	\$ 2,530,611

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, 2024</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)	\$ 237,001	\$ (166,489)	\$ 132,869	\$ 203,381
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	249,913	175	4,736	254,824
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(13,137)	(9,774)	5,827	(17,084)
Due from other funds	(12,597)	-	-	(12,597)
Inventories	2,800	-	-	2,800
Prepaid items	(665)	648	-	(17)
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	27,456	6,956	5	34,417
Accrued liabilities	9,622	12,267	-	21,889
Due to other funds	-	12,555	-	12,555
Due to other governmental units	-	(10,129)	-	(10,129)
Accrued compensated absences	11,276	2,971	-	14,247
Unearned revenues	(685)	104,329	-	103,644
Deferred inflows - business tax receipts	-	(5,405)	-	(5,405)
Deferred inflows - lease revenue	(12,004)	-	-	(12,004)
Total adjustments	261,979	114,593	10,568	387,140
Net cash provided by (used in) operating activities	\$ 498,980	\$ (51,896)	\$ 143,437	\$ 590,521

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.

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, 2024. 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 created in November 2005, through Resolution No. 05-JJ, 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, 2024.

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.

City of Fellsmere, Florida Notes to Financial Statements

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.

City of Fellsmere, Florida Notes to 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 *Grants Fund* accounts for the financial resources used for Hurricane Loss Mitigation Program.

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

The *Indian River County American Rescue Plan Act (IRC ARPA) Fund* accounts for the financial resources used for deployment of broadband services to unincorporated areas around Fellsmere.

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 eliminated so that only the net amount is included as transfers in the business-type activities column.

Budgetary Information

The City has elected to report the budgetary comparison schedules as Required Supplementary Information (RSI). Please refer to the accompanying notes to the RSI for the City's budgetary information.

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 Investment Pool. The 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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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, 2024.

3. Receivables and Payables

Accounts receivable consist of trade receivables. Amounts due from other governments amounts 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, 2024, 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, 2024 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, 2024.

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 \$5,000 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.

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 outlays 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

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)

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

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.

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)

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

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, 2024.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 14, 2025. See Note 9 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

17. Recently Issued and Implemented Accounting Pronouncements

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.

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. This standard only impacted financial statement disclosures.

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

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: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At September 30, 2024, the carrying amount of the City's deposits with banks was \$7,091,391 and the bank balance was \$7,285,724. In addition, the City holds \$1,464 of petty cash. As of September 30, 2024, \$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, 2024 consists of unspent water and wastewater system impact fees and interest earned on these funds of \$1,018,225. 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 \$100,199.

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 Local Government Investment Pool (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, 2024, the City had \$3,346,959 invested. The fair value of the City's position in the pool is equal to the value of pooled shares or net asset value.

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, 2024, there were no redemption fees or maximum transaction amounts, or any other

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments

requirements 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, 2024, was 30 days and the weighted average life (WAL) was 81 days.

Credit risk – Section 150: *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 150: *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.

As of September 30, 2024, 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	\$ 3,346,959	\$ 3,346,959	\$ -	\$ -
Total primary government investments		\$ 3,346,959	\$ 3,346,959	\$ -	\$ -

City of Fellsmere, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

B. Interfund receivables and payables and transfers

The composition of interfund balances as of September 30, 2024, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 1,350,173	\$ -
Infrastructure	901,150	138,391
Nonmajor funds	-	871,837
ARPA fund	-	1,153,111
Grants fund	-	324,597
Water & Wastewater fund	593,253	-
Community development fund	-	356,640
Total	\$ 2,844,576	\$ 2,844,576

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, for each funds had not yet been transferred.

For the year ended September 30, 2024, interfund transfers consisted of the following:

Transfers Out	Transfers In			Totals
	General fund	Community Development	Nonmajor Governmental funds	
General fund	\$ -	\$ 59,587	\$ 84,400	\$ 143,987
ARPA	1,193,821	-	-	1,193,821
Water & wastewater fund	255,200	20,195	-	275,395
Community development fund	41,250	-	-	41,250
Stormwater system fund	127,226	14,850	-	142,076
Nonmajor governmental funds	170,759	-	-	170,759
Totals	\$ 1,788,256	\$ 94,632	\$ 84,400	\$ 1,967,288

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 2: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the primary government for the year ended September 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,144,173	\$ 814,035	\$ -	\$ 7,958,208
Construction in progress	798,631	1,807,980	(348,182)	2,258,429
Total capital assets, not being depreciated	7,942,804	2,622,015	(348,182)	10,216,637
Capital assets, being depreciated:				
Buildings	6,150,515	-	-	6,150,515
Improvements other than buildings	3,546,206	30,467	-	3,576,673
Machinery and equipment	2,395,049	250,353	-	2,645,402
Infrastructure	17,520,343	-	-	17,520,343
Total capital assets, being depreciated	29,612,113	280,820	-	29,892,933
Less accumulated depreciation for:				
Buildings	(3,929,033)	(280,864)	-	(4,209,897)
Improvements other than buildings	(2,784,967)	(54,464)	-	(2,839,431)
Machinery and equipment	(2,141,810)	(210,490)	-	(2,352,300)
Infrastructure	(7,595,873)	(775,820)	-	(8,371,693)
Total accumulated depreciation	(16,451,683)	(1,321,638)	-	(17,773,321)
Total capital assets, being depreciated, net	13,160,430	(1,040,818)	-	12,119,612
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	(8,725)	(4,867)	-	(13,592)
Total accumulated amortization	(8,725)	(4,867)	-	(13,592)
Right-to-use lease assets being amortized, net	16,098	(4,867)	-	11,231
Governmental activities capital assets, net	\$ 21,119,332	\$ 1,576,330	\$ (348,182)	\$ 22,347,480

City of Fellsmere, Florida
Notes to Financial Statements

Note 2: 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	\$ 445,699	\$ -	\$ -	\$ 445,699
Total capital assets, not being depreciated	445,699	-	-	445,699
Capital assets, being depreciated:				
Water plant	3,039,084	10,290	-	3,049,374
Water lines	4,105,628	-	-	4,105,628
Water tank	408,813	-	-	408,813
Vehicle and equipment	72,222	14,674	-	86,896
Equipment	8,104	-	-	8,104
Wastewater lines	2,229,104	-	-	2,229,104
Stormwater equipment	68,026	6,250	-	74,276
Total capital assets, being depreciated	9,930,981	31,214	-	9,962,195
Less accumulated depreciation for:				
Water plant	(950,365)	(80,763)	-	(1,031,128)
Water lines	(2,014,242)	(111,710)	-	(2,125,952)
Water tank	(226,220)	(8,234)	-	(234,454)
Vehicle and equipment	(72,222)	(3,143)	-	(75,365)
Equipment	(7,928)	(175)	-	(8,103)
Wastewater lines	(835,490)	(46,063)	-	(881,553)
Stormwater equipment	(23,413)	(4,736)	-	(28,149)
Total accumulated depreciation	(4,129,880)	(254,824)	-	(4,384,704)
Total capital assets, being depreciated, net	5,801,101	(223,610)	-	5,577,491
Business-type activities capital assets, net	\$ 6,246,800	\$ (223,610)	\$ -	\$ 6,023,190

City of Fellsmere, Florida
Notes to Financial Statements

Note 2: 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	\$ 439,019
Public safety	91,607
Transportation	657,767
Culture and recreation	138,112
<u>Total depreciation/amortization expense - governmental activities</u>	<u>\$ 1,326,505</u>
Business-type activities:	
Water & Wastewater	\$ 249,913
Community development	175
Stormwater	4,736
<u>Total depreciation expense - business-type activities</u>	<u>\$ 254,824</u>

D. Accounts payable and accrued liabilities

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 833,939	\$ 90,778
Accrued liabilities	43,005	77,211
<u>Total payables</u>	<u>\$ 876,944</u>	<u>\$ 167,989</u>

E. Construction Commitments

The City has active construction projects as of September 30, 2024. At year-end, the City's commitments with contractors totaled \$3,086,959 across 4 construction projects. The projects above are funded through grants and City funding.

City of Fellsmere, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities

Long-term liability activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital improvement bond, 2022	\$ 2,074,772	\$ -	\$ (122,253)	\$ 1,952,519	\$ 125,471
Vehicles note	24,976	-	(24,976)	-	-
Vehicles note, 2024	-	153,300	-	153,300	48,244
Compensated absences	135,614	146,494	(153,512)	128,596	38,579
Lease liabilities	16,098	-	(4,971)	11,127	5,077
Total governmental activities	\$ 2,251,460	\$ 299,794	\$ (305,712)	\$ 2,245,542	\$ 217,371

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Capital improvement bond, 2022	\$ 515,227	\$ -	\$ (29,745)	\$ 485,482	\$ 30,530
Construction loans	164,067	-	(164,067)	-	-
Compensated absences	6,936	35,430	(21,183)	21,183	6,355
Total business-type activities	\$ 686,230	\$ 35,430	\$ (214,995)	\$ 506,665	\$ 36,885

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%.

Since fiscal year 2022, the Capital Improvement Revenue Refunding Note, Series 2022 is the sole outstanding bond issue of the City. 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, 2024, a total of \$151,998 in debt service principal and \$82,916 in debt service interest were paid toward the outstanding balance. As of September 30, 2024, the balance of the note was \$2,438,001.

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 \$233,675 was 25.2% of the current pledged revenue of \$927,094. The balance of the sinking fund was \$100,199 as of September 30, 2024.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (continued)

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 are pledged as security for repayment of these loans. 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, 2024. 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, 2024 the balances of loan #1 and #2 were \$0.

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 the maturity date of March 14, 2024. As of September 30, 2024, the outstanding balance was \$0.

On November 16, 2023, the City entered into a promissory note with Marine Bank & Trust Company. The City could borrow up to \$300,000 at a 7.7% interest rate. Payments of principal and interest of \$5,232 are due monthly beginning June 16, 2025. The maturity date is August 16, 2030. As of September 30, 2024, the outstanding balance was \$153,300.

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, 2024 was \$6,277. The office equipment lease expires in fiscal year 2027. Monthly payment amounts are \$439.

City of Fellsmere, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Leases (Continued)

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
2025	\$ 178,792	\$ 73,237	\$ 30,530	\$ 18,908
2026	192,770	64,512	31,899	17,344
2027	184,559	55,642	32,878	15,721
2028	139,144	49,666	33,856	14,088
2029 - 2033	771,324	175,366	187,676	45,028
2034 - 2038	648,266	58,764	157,734	14,276
2039 - 2041	2,091	85	10,909	21
Total	\$ 2,116,946	\$ 477,272	\$ 485,482	\$ 125,386

G. Public – Private Partnership Arrangements

On December 22, 2022, the City entered into a telecommunication easement and lease assignment agreement with TPA V, LLC. (“TPA”) As a result of this agreement, the City granted the cell tower rights to TPA for 50 years, that will end on December 22, 2072. The City received \$932,363 for the lease assignment, and recognized \$18,647 revenue in fiscal year 2024. As of September 30, 2024, the deferred inflow balance was \$895,068, of which, \$318,902 is included in the general fund, and \$576,166 is in the water fund.

Additionally, TPA is permitted to enter into leases with new telecommunications tenant (“Rent Share Tenant”, however the City will receive 50% of the revenue from it. The City retains ownership rights to asset, but grants cooperation and non-inference to the grantee. TPA will continue to collect fees from lessee until ultimately the cell tower rights revert back to the City after 50 years, on December 22, 2072.

H. 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 \$7,075 of lease revenue principal and \$2,509 of lease interest for the year ended September 30, 2024.

Note 3: 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 4: 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, 2024, the millage rate assessed by the City was 5.2210 mills.

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 5: 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 6: 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.

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 2024. Although the charter officers and department heads may participate in both the deferred compensation plan (see Note 7) 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 \$118,262 for the fiscal year ended September 30, 2024. 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, 2024, 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 \$162,000. All full-time employees participate in the plan.

Note 6: BENEFIT PLANS (Continued)

For the year ended September 30, 2024, the employees' remaining balance in the health reimbursement account amounted to \$421,174.

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.

Note 7: 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 2024.

Employer and employee contributions to the plan were \$92,182 and \$29,256, respectively, in 2024. 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.

City of Fellsmere, Florida
Notes to Financial Statements

Note 8: 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	Grants	ARPA	IRC ARPA	Nonmajor Governmental Funds	Totals
Nonspendable:							
Prepaid items	\$ 72,088	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ 92,088
Total nonspendable	72,088	-	20,000	-	-	-	92,088
Restricted for:							
Capital Projects	-	933,270	-	-	-	394,037	1,327,307
Brookside Cemetery	61,540	-	-	-	-	-	61,540
Total restricted	61,540	933,270	-	-	-	394,037	1,388,847
Unassigned	3,260,542	-	(914,161)	-	-	(973,564)	1,372,817
Total fund balances, governmental funds	\$ 3,394,170	\$ 933,270	\$ (894,161)	\$ -	\$ -	\$ (579,527)	\$ 2,853,752

As at the end of the year, the following nonmajor funds reported a deficit fund balance: FRDAP Trial Head Preserve LWCF fund had an unassigned fund balance deficit of \$(6,082); SJRWMD State Street Greenway fund had an unassigned fund balance deficit of \$(16,000); HC&J Stormwater Grant Park fund had an unassigned fund balance deficit of \$(44,587); Community Center Historic Restoration fund had an unassigned fund balance deficit of \$(1,195); HMGP fund had an unassigned fund balance deficit of \$(365,139); Broadband fund had an unassigned fund balance deficit of \$(8,673); CDBG 97th Street fund had an unassigned fund balance deficit of \$(214,279); DEO Sewer to Shrimp fund had an unassigned fund balance deficit of \$(36,891); Stormway Greenway fund had an unassigned fund balance deficit of \$(97,622); Microbasin fund had an unassigned fund balance deficit of \$(66,488); Rail Trail N. Broadway to State Park fund had an unassigned fund balance deficit of \$(116,608).

Note 9: SUBSEQUENT EVENTS

On November 22, 2024, the City entered into a clean water drinking act loan agreement for a total amount of \$3,926,700, of which \$2,933,188 is to be forgiven and \$993,512 will be repaid. The interest rate is .2%. Semi-annual payments of \$18,449 are scheduled to begin February 15, 2027 for 30 years. No funds are drawn yet on this loan.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Fellsmere, Florida

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

<i>Year Ended September 30, 2024</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Property	\$ 744,047	\$ 744,047	\$ 752,175	\$ 8,128
Public utility	550,416	550,416	560,374	9,958
Communications services	139,809	139,809	161,533	21,724
Franchise fees	899,651	899,651	410,760	(488,891)
Intergovernmental	68,591	68,591	827,250	758,659
Charges for services	7,500	7,500	9,150	1,650
Fines	7,006	7,006	4,465	(2,541)
Investment earnings	15,523	15,523	182,722	167,199
Other revenues	175,750	175,750	145,510	(30,240)
Total revenues	2,608,293	2,608,293	3,053,939	445,646
Expenditures				
Current:				
General government	1,601,272	1,601,272	891,943	709,329
Public safety	1,276,535	1,276,535	1,401,729	(125,194)
Transportation	866,370	866,370	784,875	81,495
Culture and recreation	128,490	128,490	112,097	16,393
Debt service:				
Principal	-	-	4,971	(4,971)
Interest	-	-	1,306	(1,306)
Capital outlay	-	-	8,808	(8,808)
Total expenditures	3,872,667	3,872,667	3,205,729	666,938
Excess (deficiency) of revenues over (under) expenditures	(1,264,374)	(1,264,374)	(151,790)	1,112,584
Other financing sources (uses)				
Transfers in	715,203	407,832	1,788,256	1,380,424
Transfers out	116,430	116,430	(143,987)	(260,417)
Proceeds from sale of capital assets	4,000	4,000	7,606	3,606
Loan Proceeds	-	-	153,300	153,300
Total other financing sources (uses)	835,633	528,262	1,805,175	1,276,913
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(428,741)	(736,112)	1,653,385	2,389,497
Fund balances, beginning of year	1,740,785	1,740,785	1,740,785	-
Fund balances, end of year	\$ 1,312,044	\$ 1,004,673	\$ 3,394,170	\$ 2,389,497

City of Fellsmere, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget vs
Actual – Infrastructure Fund

<i>Year Ended September 30, 2024</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Sales	\$ 948,448	\$ 948,448	\$ 927,094	\$ (21,354)
Developer Contributions	4,700,000	4,700,000	-	(4,700,000)
Investment earnings/other revenue	20,000	20,000	12,262	(7,738)
Total revenues	5,668,448	5,668,448	939,356	(4,729,092)
Expenditures				
Current:				
General government	-	-	1,736	(1,736)
Debt service:				
Principal	147,437	147,437	147,229	208
Interest and fiscal charges	67,011	67,011	67,003	8
Capital outlay	5,353,887	5,353,887	159,849	5,194,038
Total expenditures	5,568,335	5,568,335	375,817	5,192,518
Excess of revenues over expenditures	100,113	100,113	563,539	463,426
Other financing sources (uses)				
Transfers in	1,199,802	1,199,802	-	(1,199,802)
Transfers out	(1,285,000)	(1,285,000)	-	1,285,000
Total other financing sources (uses)	(85,198)	(85,198)	-	85,198
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	14,915	14,915	563,539	548,624
Fund balances (deficits), beginning of year	369,731	369,731	369,731	-
Fund balances (deficits), end of year	\$ 384,646	384,646	\$ 933,270	\$ 548,624

City of Fellsmere, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget vs
Actual – Grant Fund**

<i>Year Ended September 30, 2024</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$ -	\$ -	\$ 70,135	\$ 70,135
Total revenues	-	-	70,135	70,135
Expenditures				
Current:				
Physical Environment	-	-	50,000	(50,000)
Capital outlay	-	-	914,296	(914,296)
Total expenditures	-	-	964,296	(964,296)
Deficiency of revenues under expenditures	-	-	(894,161)	(894,161)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(894,161)	(894,161)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ (894,161)	\$ (894,161)

City of Fellsmere, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget vs
Actual – ARPA Fund**

<i>Year Ended September 30, 2024</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$ 2,134,802	\$ 2,134,802	\$ 2,315,020	\$ 180,218
Investment earnings	89,000	89,000	-	(89,000)
Total revenues	2,223,802	2,223,802	2,315,020	91,218
Expenditures				
Current:				
Physical environment	-	-	44,072	(44,072)
Transportation	-	-	35,406	(35,406)
Culture and recreation	-	-	10,354	(10,354)
Capital outlay	-	-	1,031,375	(1,031,375)
Total expenditures	-	-	1,121,207	(1,121,207)
Excess of revenues over expenditures	2,223,802	2,223,802	1,193,813	(1,029,989)
Other financing sources (uses)				
Transfers out	(2,143,432)	(2,143,432)	(1,193,821)	949,611
Total other financing sources (uses)	(2,143,432)	(2,143,432)	(1,193,821)	949,611
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	80,370	80,370	(8)	(80,378)
Fund balances (deficits), beginning of year	8	8	8	-
Fund balances (deficits), end of year	\$ 80,378	\$ 80,378	\$ -	\$ (80,378)

City of Fellsmere, Florida
Budgetary Notes to Required Supplementary Information

Note A- 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, 2024. Appropriations, except open project appropriations, lapse at the end of each fiscal year.

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, 2024 were approved by the City Council.

There was no budget adopted for the IRC Grant fund, and no activity for the fund for fiscal year 2024.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

**City of Fellsmere, Florida
Combining Balance Sheet
Nonmajor Governmental Funds**

	Special Revenue							
<i>September 30, 2024</i>	Local Option Gas Tax	FRDAP Trail Head Preserve LWCF	SJRWMD State Street Greenway	HC&J Stormwater Grant Park	Historic Train Village	Community Center Historic Restoration	League Revenue	
ASSETS								
Cash and cash equivalents	\$ 36,496	\$ -	\$ -	\$ -	\$ 4,082	\$ -	\$ 42,444	
Due from other governments	27,981	-	-	-	-	-	323,548	
Total assets	\$ 64,477	\$ -	\$ -	\$ -	\$ 4,082	\$ -	\$ 365,992	
LIABILITIES								
Accounts payable	\$ -	\$ 6,082	\$ -	\$ -	\$ -	\$ -	\$ -	
Due to other funds	-	-	16,000	44,587	-	1,195	-	
Total liabilities	-	6,082	16,000	44,587	-	1,195	-	
Deferred Inflow								
Unavailable revenue	-	-	-	-	-	-	323,548	
FUND BALANCES								
Restricted	64,477	-	-	-	4,082	-	42,444	
Unrestricted / unassigned	-	(6,082)	(16,000)	(44,587)	-	(1,195)	-	
Total fund balances	64,477	(6,082)	(16,000)	(44,587)	4,082	(1,195)	42,444	
Total liabilities and fund balances	\$ 64,477	\$ -	\$ -	\$ -	\$ 4,082	\$ -	\$ 365,992	

**City of Fellsmere, Florida
Combining Balance Sheet
Nonmajor Governmental Funds**

Special Revenue

HMGP	Broadband	CDBG 97th Street	DEO Sewer to Shrimp Farm	Stormway Greenway	Special Projects	Community Redevelopment	Microbasin	Rail Trail N. Broadway to State Park	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,689	\$ 271,345	\$ -	\$ -	\$ 366,056
-	-	-	-	-	-	-	66,548	-	418,077
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,689	\$ 271,345	\$ 66,548	\$ -	\$ 784,133
\$ 7,174	\$ -	\$ -	\$ -	8,113	\$ -	\$ -	\$ 66,488	\$ 13,870	\$ 101,727
357,965	8,673	214,279	36,891	89,509	-	-	-	102,738	871,837
365,139	8,673	214,279	36,891	97,622	-	-	66,488	116,608	973,564
-	-	-	-	-	-	-	66,548	-	390,096
-	-	-	-	-	11,689	271,345	-	-	394,037
(365,139)	(8,673)	(214,279)	(36,891)	(97,622)	-	-	(66,488)	(116,608)	(973,564)
(365,139)	(8,673)	(214,279)	(36,891)	(97,622)	11,689	271,345	(66,488)	(116,608)	(579,527)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,689	\$ 271,345	\$ 66,548	\$ -	\$ 784,133

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, 2024</i>	Local Option Gas Tax	FRDAP Trail Head Preserve LWCF	SJRWMD State Street Greenway	HC&J Stormwater Grant Park	Historic Train Village	Community Center Historic Restoration	League Revenue	
REVENUES								
Taxes:								
Motor fuel	\$ 162,696	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Intergovernmental	-	-	-	-	-	-	-	42,444
Other revenues	-	-	-	-	-	-	-	-
Total revenues	162,696	-	-	-	-	-	-	42,444
EXPENDITURES								
Current:								
Physical environment	-	6,082	16,000	-	-	1,195	-	-
Transportation	230,966	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	44,587	-	-	-	-
Total expenditures	230,966	6,082	16,000	44,587	-	1,195	-	-
Excess (deficiency) of revenues over (under) expenditures	(68,270)	(6,082)	(16,000)	(44,587)	-	(1,195)	-	42,444
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(170,759)	-	-	-	-	-	-	-
Total other financing sources (uses)	(170,759)	-	-	-	-	-	-	-
Net change in fund balances	(239,029)	(6,082)	(16,000)	(44,587)	-	(1,195)	-	42,444
Fund balances, beginning of year	303,506	-	-	-	4,082	-	-	-
Fund balances, end of year	\$ 64,477	\$ (6,082)	\$ (16,000)	\$ (44,587)	\$ 4,082	\$ (1,195)	\$ -	\$ 42,444

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

HMGP	Broadband	CDBG 97th Street	NY Sidewalk	DEO Sewer to Shrimp Farm	Stormway Greenway	Special Projects	Community Redevelopment	Microbasin	Rail Trail N. Broadway to State Park	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,696
-	-	-	-	-	-	-	-	-	-	42,444
-	-	-	-	-	-	-	37,257	-	-	37,257
-	-	-	-	-	-	-	37,257	-	-	242,397
-	-	-	-	-	89,509	-	6,998	-	102,738	222,522
-	-	-	-	-	-	15,005	7,129	-	-	253,100
-	-	-	-	-	-	-	200	-	-	200
365,139	8,673	214,279	30,467	36,891	8,113	-	-	66,488	13,870	788,507
365,139	8,673	214,279	30,467	36,891	97,622	15,005	14,327	66,488	116,608	1,264,329
(365,139)	(8,673)	(214,279)	(30,467)	(36,891)	(97,622)	(15,005)	22,930	(66,488)	(116,608)	(1,021,932)
-	-	-	30,467	-	-	-	53,933	-	-	84,400
-	-	-	-	-	-	-	-	-	-	(170,759)
-	-	-	30,467	-	-	-	53,933	-	-	(86,359)
(365,139)	(8,673)	(214,279)	-	(36,891)	(97,622)	(15,005)	76,863	(66,488)	(116,608)	(1,108,291)
-	-	-	-	-	-	26,694	194,482	-	-	528,764
\$ (365,139)	\$ (8,673)	\$ (214,279)	\$ -	\$ (36,891)	\$ (97,622)	\$ 11,689	\$ 271,345	\$ (66,488)	\$ (116,608)	\$ (579,527)

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, 2024</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Other revenue	\$ 34,278	\$ 34,278	\$ 37,257	\$ 2,979
Total revenues	34,278	34,278	37,257	2,979
Expenditures				
Current:				
General government	-	-	6,998	(6,998)
Transportation	-	-	7,129	(7,129)
Culture and recreation	-	-	200	(200)
Total expenditures	-	-	14,327	(14,327)
Excess of revenues over expenditures	34,278	34,278	22,930	(11,348)
Other financing sources (uses)				
Transfers in	301,430	301,430	53,933	(247,497)
Total other financing sources (uses)	301,430	301,430	53,933	(247,497)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	335,708	335,708	76,863	(258,845)
Fund balances (deficits), beginning of year	194,482	194,482	194,482	-
Fund balances (deficits), end of year	\$ 530,190	\$ 530,190	\$ 271,345	\$ (258,845)



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INDEPENDENT AUDITOR'S 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 14, 2025.

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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 that we consider to be a material weakness.

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
November 14, 2025



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INDEPENDENT AUDITOR’S 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, 2024. The City of Fellsmere, Florida’s major federal programs are identified in the summary of auditor’s 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 types of 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, 2024.

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 Auditor’s 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.

Auditor's 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 Auditor's 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 over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a significant deficiency.

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 City of Fellsmere, Florida's response to the 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
November 14, 2025

City of Fellsmere, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2024

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major federal programs:

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

Type of auditor’s 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)? X 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

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 X no

City of Fellsmere, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2024

SECTION II—FINANCIAL STATEMENT FINDINGS

2024-001 Trial Balance

Condition: The final trial balance was not properly reviewed prior to providing it to the auditors. During the audit, the City provided numerous journal entries to correct the trial balance for schedules that did not reconcile to the trial balance. Controls surrounding cash collections, bank reconciliations, and year end accruals were not operating effectively during the year. There was not supporting documentation for all of the transactions.

Criteria: Under Government Auditing Standards (GAGAS) and Generally Accepted Accounting Principles (GAAP) for governmental entities, management is responsible for maintaining accurate financial records and providing reliable trial balances for the preparation of financial statements. Accurate beginning fund balances are essential for ensuring that current-year financial statements are complete, consistent, and in agreement with prior-year audited results. Internal control standards outlined by COSO emphasize the need for management to maintain accurate accounting records and perform reconciliation procedures to ensure the reliability of financial reporting.

Cause: The inaccuracies in the trial balances appear to result from inadequate review and reconciliation procedures during the year, and the year-end close process. Bank reconciliations and control regarding cash receipts were not performed during the year. The City did not perform sufficient procedures during financial statement close process to ensure that balances were accurate, complete, and tied out to supporting documentation before providing the to the auditors. City staff also had difficulty finding support for every transaction. Staffing turnover and changes in accounting software contributed to these errors.

Potential Effect of Condition: There were over 20 adjustments made by the City that were proposed by the auditors due to inaccuracies in revenue, receivables, debt, compensated absences, inventory, fixed assets, capital outlay, cash, interfund balances, payables, expenses, and interest earnings.

Recommendation: The City needs to implement controls over cash receipts being recorded, bank reconciliations, and formalized year- end close procedures. Review and verify accuracy of trial balances before submission to auditors, including reconciling supporting schedules to the general ledger. Assign responsibility to a senior finance official to approve trial balances and review for reasonableness prior to providing the trial balance to the auditors. Provide staff training on year- end close procedures and reconciliation techniques to prevent similar issues in future audits. The City should continue to attach supporting documentation in Aclarian to transactions as they have been doing for the last several months of 2025.

Management Response: Management concurs with the recommendation. The City recognizes the importance of strengthening internal controls over cash receipts, bank reconciliations, and year-end close procedures to ensure accuracy and completeness of financial reporting.

To address these areas, the Finance Department will implement the following corrective actions:

1. **Strengthen Cash Receipt Controls:** Establish and document standardized procedures for recording, reconciling, and reviewing all cash receipts to ensure timely and accurate posting.

City of Fellsmere, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2024

2. Enhance Bank Reconciliation Process: Perform monthly bank reconciliations with documented supervisory review and approval to ensure all variances are promptly identified and resolved.
3. Formalize Year-End Close Procedures: Develop a comprehensive year-end close checklist and timeline to guide staff through key steps, including trial balance review, reconciliation of supporting schedules, and variance analysis.
4. Assign Oversight Responsibility: Designate a senior finance official to review and approve trial balances for accuracy and reasonableness prior to submission to the auditors.
5. Staff Training and Development: Provide targeted training on reconciliation techniques, closing procedures, and documentation standards to improve consistency and reduce the risk of errors.
6. Maintain Documentation in Aclarian: Continue the practice of attaching supporting documentation in Aclarian for all transactions, ensuring transparency and audit readiness.

Management anticipates that these measures will improve the reliability of financial data, enhance audit preparedness, and prevent recurrence of similar issues in future audits.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2024-002 Suspension and Debarment

ALN 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds
Department of the Treasury
Grant # Y5082
2021 funding

Condition: City staff were unable to produce contemporaneous documentation of verification that vendors were not disqualified, excluded, or debarred prior to entering into a covered transaction.

Criteria: 2 CFR 180.300 requires the City to ensure vendors and contractors are not disqualified, excluded, or debarred prior to entering into a covered transaction. 2 CFR 200.303 requires non-federal entities to establish and maintain effective internal controls. The City should have a process to ensure compliance with 2 CFR 180.300.

Cause: The City has experienced significant turnover in key management positions, including the City Manager and Finance Director, which created obstacles to locating documentation from prior periods.

Potential Effect of Condition: Without a prior SAM check the City may have covered transactions with federally debarred vendors. However, in this case the impacted vendor was not debarred so there were no instances of non-compliance.

Questioned Costs: None.

Perspective: Of the non statistical sample of two vendors, one of the vendors did not have verification of not being suspended or debarred.

City of Fellsmere, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2024

Recommendation: The City should perform SAM checks for all vendors or contractors prior to entering into covered transactions and retain documentation of these processes.

Management Response: Management concurs with the recommendation. The City recognizes the importance of complying with 2 CFR 180.300 and 2 CFR 200.303 to ensure that vendors and contractors are not suspended, debarred, or otherwise excluded from participation in federally funded programs.

To strengthen compliance and documentation going forward, the City will implement the following corrective actions:

1. **Establish a Standardized SAM Verification Process:** The City will formalize written procedures requiring verification of all vendors and contractors in the System for Award Management (SAM) prior to entering into any covered transaction.
2. **Maintain Documentation:** Copies or screenshots of SAM verifications will be retained in the vendor file and/or attached within the City's financial management system to ensure documentation is readily available for audit purposes.
3. **Designate Responsibility:** The Finance Department will assign a staff member to perform and document the SAM verification process, with supervisory review prior to vendor approval.
4. **Provide Staff Training:** Relevant staff will receive training on federal procurement requirements, including SAM verification procedures and documentation standards.
5. **Ongoing Monitoring:** Management will periodically review vendor files to confirm compliance with these requirements and ensure documentation is properly maintained.

Management expects these measures will strengthen internal controls, ensure continued compliance with federal regulations, and prevent similar documentation issues in future audits.

SECTION IV- PRIOR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2023-001 Overall Trial Balance

Status: Repeated as 2024-001

City of Fellsmere, Florida
Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2024

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 HOUSING AND URBAN DEVELOPMENT (HUD)				
Community Development Block Grant Disaster Recovery (CDBG-DR) Infrastructure Repair Program	14.228	IR016	\$ 323,549	\$ -
Total U.S. Department of Housing and Urban Development (HUD)			323,549	-
U.S. DEPARTMENT OF JUSTICE				
Passed through Florida Department of Law Enforcement (FDLE)				
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	R7035	1,000	-
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	R7167	12,799	-
Total U.S. Department of Justice			13,799	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
Florida Department of Emergency Management				
Hazard Mitigation Grant	97.039		58,000	-
Total U.S. Department of Homeland Security			58,000	-
U.S. DEPARTMENT OF TREASURY				
Direct Program:				
Covid-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Y5082	2,315,020	-
Passed through Florida Department of Environmental Protection				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	MN037	494,860	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	23PLN16	83,000	-
Total U.S. Department of Treasury			2,892,880	-
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Florida Department of Transportation:				
Highway Planning and Construction	20.205	G-2723	30,017	-
Total Highway Planning & Construction Cluster			30,017	-
Total U.S. Department of Transportation			30,017	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,318,245	\$ -

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, 2024, the City elected not to use the rate.

NOTE C

The City did not receive any noncash assistance during the year ended September 30, 2024.



F e l l s m e r e

Corrective Action Plan

2024-001 Trial Balance

Recommendation: The City needs to implement controls over cash receipts being recorded, bank reconciliations, and formalized year-end close procedures. Review and verify accuracy of trial balances before submission to auditors, including reconciling supporting schedules to the general ledger. Assign responsibility to a senior finance official to approve trial balances and review for reasonableness prior to providing the trial balance to the auditors. Provide staff training on year-end close procedures and reconciliation techniques to prevent similar issues in future audits. The City should continue to attach supporting documentation in Aclarian to transactions as they have been doing for the last several months of 2025.

Management Response: Management concurs with the recommendation. The City recognizes the importance of strengthening internal controls over cash receipts, bank reconciliations, and year-end close procedures to ensure accuracy and completeness of financial reporting.

To address these areas, the Finance Department will implement the following corrective actions:

1. Strengthen Cash Receipt Controls: Establish and document standardized procedures for recording, reconciling, and reviewing all cash receipts to ensure timely and accurate posting.
2. Enhance Bank Reconciliation Process: Perform monthly bank reconciliations with documented supervisory review and approval to ensure all variances are promptly identified and resolved.
3. Formalize Year-End Close Procedures: Develop a comprehensive year-end close checklist and timeline to guide staff through key steps, including trial balance review, reconciliation of supporting schedules, and variance analysis.
4. Assign Oversight Responsibility: Designate a senior finance official to review and approve trial balances for accuracy and reasonableness prior to submission to the auditors.
5. Staff Training and Development: Provide targeted training on reconciliation techniques, closing procedures, and documentation standards to improve consistency and reduce the risk of errors.
6. Maintain Documentation in Aclarian: Continue the practice of attaching supporting documentation in Aclarian for all transactions, ensuring transparency and audit readiness.

Management anticipates that these measures will improve the reliability of financial data, enhance audit preparedness, and prevent recurrence of similar issues in future audits.

The responsible party is Kimberly Warren, Finance Director. The findings will be corrected by September, 2026.

2024-002 Suspension and Debarment

Recommendation: The City should perform SAM checks for all vendors or contractors prior to entering into covered transactions and retain documentation of these processes.

Management Response: Management concurs with the recommendation. The City recognizes the importance of complying with 2 CFR 180.300 and 2 CFR 200.303 to ensure that vendors and contractors are not suspended, debarred, or otherwise excluded from participation in federally funded programs.

To strengthen compliance and documentation going forward, the City will implement the following corrective actions:

1. **Establish a Standardized SAM Verification Process:** The City will formalize written procedures requiring verification of all vendors and contractors in the System for Award Management (SAM) prior to entering into any covered transaction.
2. **Maintain Documentation:** Copies or screenshots of SAM verifications will be retained in the vendor file and/or attached within the City's financial management system to ensure documentation is readily available for audit purposes.
3. **Designate Responsibility:** The Finance Department will assign a staff member to perform and document the SAM verification process, with supervisory review prior to vendor approval.
4. **Provide Staff Training:** Relevant staff will receive training on federal procurement requirements, including SAM verification procedures and documentation standards.
5. **Ongoing Monitoring:** Management will periodically review vendor files to confirm compliance with these requirements and ensure documentation is properly maintained.

Management expects these measures will strengthen internal controls, ensure continued compliance with federal regulations, and prevent similar documentation issues in future audits.

The responsible party is Carolina Rodriguez, Grants Coordinator. The findings will be corrected by December 2025.



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INDEPENDENT AUDITOR’S 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 (the “City”) as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated November 14, 2025.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 Auditor’s 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 Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance, 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 November 14, 2025 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. The status of each finding and recommendation made in the preceding annual financial audit report, is noted below:

Original No.	Description	Status
2023-001	Overall Trial Balance	Repeated as 2024-001

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.

2024-003 Bids

Condition: During the audit, the City continued to use tree trimming services after the invoices totaled more than the bid threshold in its procurement policy, which follow Florida Statute 287.017.

Criteria: Under Government Auditing Standards (GAGAS) and Generally Accepted Accounting Principles (GAAP) and Section 287.057 of Florida Statutes requires cities to follow competitive bidding procedures for governmental entities, management is responsible for going out to bid if the invoices totaled is more than the threshold in the procurement policy.

Cause: The City did not perform sufficient procedures to monitor invoices crossing the threshold of requiring a bid.

Effect: The City is in not in compliance with Florida Statute 287.057

Recommendation: The City needs to be cognizant with increased services or prices when a vendor is in excess of the threshold due to cumulative services that was not previously bid to stop services and obtain and bid to move forward.

Management Response: Management concurs with the finding and acknowledges the importance of adhering to Florida Statute 287.057 and the City's procurement policy to ensure compliance with competitive bidding requirements.

To prevent similar occurrences in the future, the City will implement the following corrective actions:

1. **Strengthen Invoice Monitoring:** The Finance Department will implement a monitoring process to track cumulative vendor payments to ensure purchases do not exceed established bid thresholds without proper procurement procedures.
2. **Procurement Tracking Controls:** A procurement tracking log will be developed and maintained to flag vendors approaching bid limits, allowing timely initiation of competitive bidding or contract review.
3. **Staff Training:** City staff involved in purchasing and invoice processing will receive training on procurement thresholds, competitive bid requirements, and monitoring responsibilities in accordance with Florida Statute 287.057.
4. **Policy Reinforcement:** The City's procurement policy will be reviewed and, if necessary, updated to clarify procedures for monitoring cumulative spending with vendors and initiating bid solicitations.
5. **Supervisory Review:** Department heads and the Finance Director will review purchase activity on a periodic basis to ensure ongoing compliance with statutory and policy requirements.

Management believes these corrective actions will strengthen procurement oversight, improve compliance with Florida Statutes, and prevent future instances of exceeding bid thresholds without appropriate competitive bidding.

2024-004 Budget Compliance

Condition: The City did not budget sufficient amounts for expenditures and transfers out for the ARPA, Grants, and CRA funds.

Criteria: The City's budgetary control (i.e. level at which expenditures may not legally exceed appropriations) is defined as being the fund level.

Cause: There was no Finance Director during the 60 day period after year end when the budget can be amended to review if any of the funds were overbudget.

Effect: The City was out of compliance with Florida Statutes. The ARPA fund had \$171,596 in excess of expenditures and transfers out, the Grants fund had \$964,296 of expenditures in excess of the budget, and the CRA fund had \$14,327 of expenditures in excess of the budget.

Recommendation: We recommend the City implement procedures to ensure all cash and accrual transactions are entered into the general ledger on a timely basis to provide for financial reporting that are reviewed for actual results compared to budgeted appropriations, and adjust the budget as necessary within 60 days of year end.

Management Response: Management concurs with the finding and acknowledges the importance of adhering to Florida Statute 287.057 and the City's procurement policy to ensure compliance with competitive bidding requirements.

To prevent similar occurrences in the future, the City will implement the following corrective actions:

1. **Strengthen Invoice Monitoring:** The Finance Department will implement a monitoring process to track cumulative vendor payments to ensure purchases do not exceed established bid thresholds without proper procurement procedures.
2. **Procurement Tracking Controls:** A procurement tracking log will be developed and maintained to flag vendors approaching bid limits, allowing timely initiation of competitive bidding or contract review.
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4. **Policy Reinforcement:** The City's procurement policy will be reviewed and, if necessary, updated to clarify procedures for monitoring cumulative spending with vendors and initiating bid solicitations.
5. **Supervisory Review:** Department heads and the Finance Director will review purchase activity on a periodic basis to ensure ongoing compliance with statutory and policy requirements.

Management believes these corrective actions will strengthen procurement oversight, improve compliance with Florida Statutes, and prevent future instances of exceeding bid thresholds without appropriate competitive bidding.

Property Assessed Clean Energy (PACE) Programs (Unaudited)

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City of Fellsmere, Florida not operate a PACE program pursuant to Section 163.081 or Section 163.082, Florida Statutes, within the City of Fellsmere, Florida's geographical boundaries during the fiscal year under audit.

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 (Unaudited)

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)7, 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 74**

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)8, Rules of the Auditor General, the City of Fellsmere Community Redevelopment Agency reported:

- a. The millage rate or rates imposed by the District **5.2210 mills**
- b. The total amount of ad valorem taxes collected by or on behalf of the District **\$37,151**
- 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)9, 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 fraud, waste of 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 identify 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
November 14, 2025



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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, 2024. 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 AICPA. 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 as 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 with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2024, in all material respects.

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

Melbourne, Florida
November 14, 2025