



City of Fellsmere, Florida
FINANCIAL STATEMENTS
Year Ended September 30, 2020



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RIGGS &
INGRAM

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City of Fellsmere, Florida
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Year ended September 30, 2020

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**City of Fellsmere, Florida
City Officials
Year ended September 30, 2020**

Joel Tyson
Mayor

Fernando Herrera
Vice Mayor

Inocensia Hernandez
Gerald Renick
Jessica Salgado
Council Members

Warren W. Dill
City Attorney

Mark D. Mathes, P.E.
City Manager

Maria Suarez-Sanchez
City Clerk

Putnam Moreman, CPA, CGFM
Director of Finance and Accounting

Keith M. Touchberry
Chief of Police

Andy Shelton
Superintendent of Public Works

INDEPENDENT AUDITORS' REPORT

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

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, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Fellsmere, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fellsmere, Florida, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2021 on our consideration of the City of Fellsmere, Florida'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 of Fellsmere'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 of Fellsmere, Florida's internal control over financial reporting and compliance.

Caru, Riggs & Ingram, L.L.C.

Melbourne, Florida
February 9, 2021

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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, 2020:

Financial Highlights

- The City's assets exceeded its liabilities at the close of the fiscal year 2020 by \$26,164,059 (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 \$1,911,593.
- The City's total net position increased by \$508,204, resulting from an increase of \$197,394 from Governmental activities and an increase of \$310,810 from Business-type activities. Unrestricted General Fund balance increased to \$1,038,943 from \$1,009,600, and combined ending Governmental fund balances totaled \$1,037,387, an increase of \$520,753 from the previous year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,038,943 or 90.4% of the total general fund balance.
- General fund revenue increased by \$72,863 or 3.3% and expenditures decreased by \$19,447 or .8%. The increase in revenues is attributable to a number of different revenue categories having unexpected modest increases in inflows in an otherwise uncertain COVID-19 challenging year. Other revenue was up by \$31,001 due to a Historic Preservation grant for \$30,000. This was the largest single revenue variance by category. Expenditures were down due to a conscious effort by staff to reduce spending due to COVID-19 uncertainty.
- The City reduced its external debt by \$163,577 during the 2020 fiscal year.
- On September 11, 2017 the City was impacted by Hurricane Irma and the City experienced extensive damage. Over 20" of rain from Irma caused flooding in the basement of City Hall. Our basement damage was almost entirely covered by insurance. The roof on City Hall was impacted by Irma's high winds, and temporary repairs were made to ensure the building stayed dry. We are working with FEMA to obtain funding for the damage caused to our uninsured infrastructure. All other Irma damage claims have been paid by FEMA, except for Direct Administrative Costs. In November 2020, the Florida Department of Emergency Management staff determined that FEMA made an error in their initial calculation of the damage award for our road infrastructure damage claim. As a result, that obligation was remanded back to FEMA for re-computation, using the correct set of tables, as required by the FEMA rules.

City of Fellsmere, Florida Management's Discussion and Analysis

- The amounts funded by FEMA may not be known for many more months. COVID-19 was not kind to the City of Fellsmere. The City experienced significant drops in revenue in General Fund taxes such as gas taxes, and State Revenue sharing. The City survived these drops in revenue by curtailing expenditures where possible, and delaying expenditures and projects to the best of our ability. Some of these trends are likely to continue as long as tourism in Florida is impacted by COVID-19.

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 21 through 23 of this report.

City of Fellsmere, Florida Management's Discussion and Analysis

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, and Stormwater Park 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 Stormwater Park Fund, to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 24 through 32 of this report.

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

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

City of Fellsmere, Florida
Management's Discussion and Analysis

The basic proprietary fund financial statements can be found on 34 through 41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found starting on page 43 of this report.

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 \$26,164,059 at the close of the most recent fiscal year.

| | Net Position | | | | | |
|--|-----------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | Government Activities | | Business-type Activities | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Assets: | | | | | | |
| Current and other assets | \$ 1,379,307 | \$ 1,042,121 | \$ 2,448,036 | \$ 1,947,500 | \$ 3,827,343 | \$ 2,989,621 |
| Capital assets, net | 19,904,850 | 20,334,174 | 6,702,854 | 6,936,976 | 26,607,704 | 27,271,150 |
| Total assets | <u>21,284,157</u> | <u>21,376,295</u> | <u>9,150,890</u> | <u>8,884,476</u> | <u>30,435,047</u> | <u>30,260,771</u> |
| Liabilities: | | | | | | |
| Noncurrent liabilities | 2,422,062 | 2,528,027 | 1,119,400 | 1,269,344 | 3,541,462 | 3,797,371 |
| Other liabilities | 341,920 | 525,487 | 370,951 | 269,337 | 712,871 | 794,824 |
| Total liabilities | <u>2,763,982</u> | <u>3,053,514</u> | <u>1,490,351</u> | <u>1,538,681</u> | <u>4,254,333</u> | <u>4,592,195</u> |
| Deferred inflows of resources: | | | | | | |
| Deferred revenue - business tax receipts | - | - | 16,655 | 12,721 | 16,655 | 12,721 |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>16,655</u> | <u>12,721</u> | <u>16,655</u> | <u>12,721</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 17,509,608 | 17,910,654 | 5,514,801 | 5,676,913 | 23,024,409 | 23,587,567 |
| Restricted | 412,244 | 414,124 | 815,813 | 572,809 | 1,228,057 | 986,933 |
| Unrestricted | 598,323 | (1,997) | 1,313,270 | 1,083,352 | 1,911,593 | 1,081,355 |
| Total net position | <u>\$ 18,520,175</u> | <u>\$ 18,322,781</u> | <u>\$ 7,643,884</u> | <u>\$ 7,333,074</u> | <u>\$ 26,164,059</u> | <u>\$ 25,655,855</u> |

A substantial portion of the City's net position (88.0%) 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.

City of Fellsmere, Florida
Management's Discussion and Analysis

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

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

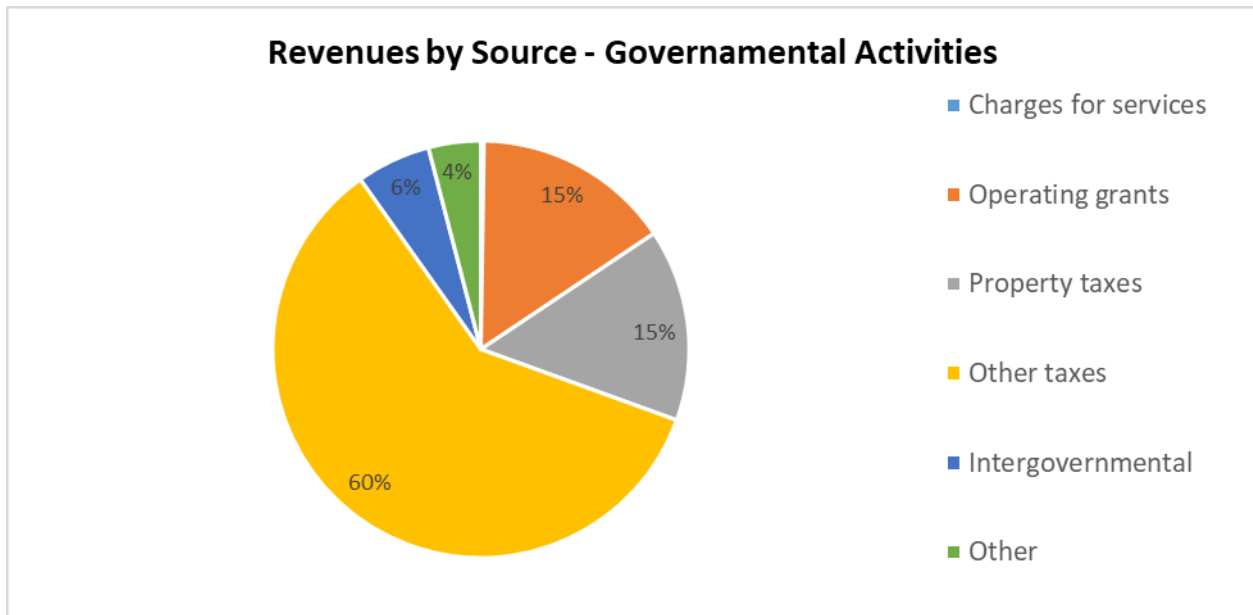
The following table shows the revenue and expenses of the total primary government:

| | Change in Net Position | | | | | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Program revenues: | | | | | | |
| Charges for services | \$ 9,087 | \$ 7,945 | \$ 1,731,118 | \$ 1,546,691 | \$ 1,740,205 | \$ 1,554,636 |
| Operating grants | 589,526 | 829,624 | - | - | 589,526 | 829,624 |
| General revenues: | | | | | | |
| Property taxes | 571,139 | 555,247 | - | - | 571,139 | 555,247 |
| Other taxes | 2,285,583 | 2,273,725 | - | - | 2,285,583 | 2,273,725 |
| Intergovernmental | 220,697 | 241,396 | - | - | 220,697 | 241,396 |
| Other | 155,739 | 144,438 | 135,934 | 127,437 | 291,673 | 271,875 |
| Total revenues | 3,831,771 | 4,052,375 | 1,867,052 | 1,674,128 | 5,698,823 | 5,726,503 |
| Expenses: | | | | | | |
| General government | 1,258,090 | 1,164,993 | - | - | 1,258,090 | 1,164,993 |
| Public safety | 988,574 | 999,121 | - | - | 988,574 | 999,121 |
| Physical environment | 93,451 | 6,720 | - | - | 93,451 | 6,720 |
| Transportation | 1,299,944 | 1,226,865 | - | - | 1,299,944 | 1,226,865 |
| Cultural and recreation | 141,567 | 159,402 | - | - | 141,567 | 159,402 |
| Interest and fiscal charges | 107,487 | 119,661 | - | - | 107,487 | 119,661 |
| Water & Wastewater | - | - | 1,030,589 | 917,194 | 1,030,589 | 917,194 |
| Community development | - | - | 250,917 | 373,230 | 250,917 | 373,230 |
| Stormwater system | - | - | 20,000 | 64,218 | 20,000 | 64,218 |
| Total expenses | 3,889,113 | 3,676,762 | 1,301,506 | 1,354,642 | 5,190,619 | 5,031,404 |
| Change in net position, before transfers: | (57,342) | 375,613 | 565,546 | 319,486 | 508,204 | 695,099 |
| Transfers | 254,736 | 272,590 | (254,736) | (272,590) | - | - |
| Change in net position | 197,394 | 648,203 | 310,810 | 46,896 | 508,204 | 695,099 |
| Net position -beginning of year | 18,322,781 | 17,674,578 | 7,333,074 | 7,286,178 | 25,655,855 | 24,960,756 |
| Net position - ending | \$ 18,520,175 | \$ 18,322,781 | \$ 7,643,884 | \$ 7,333,074 | \$ 26,164,059 | \$ 25,655,855 |

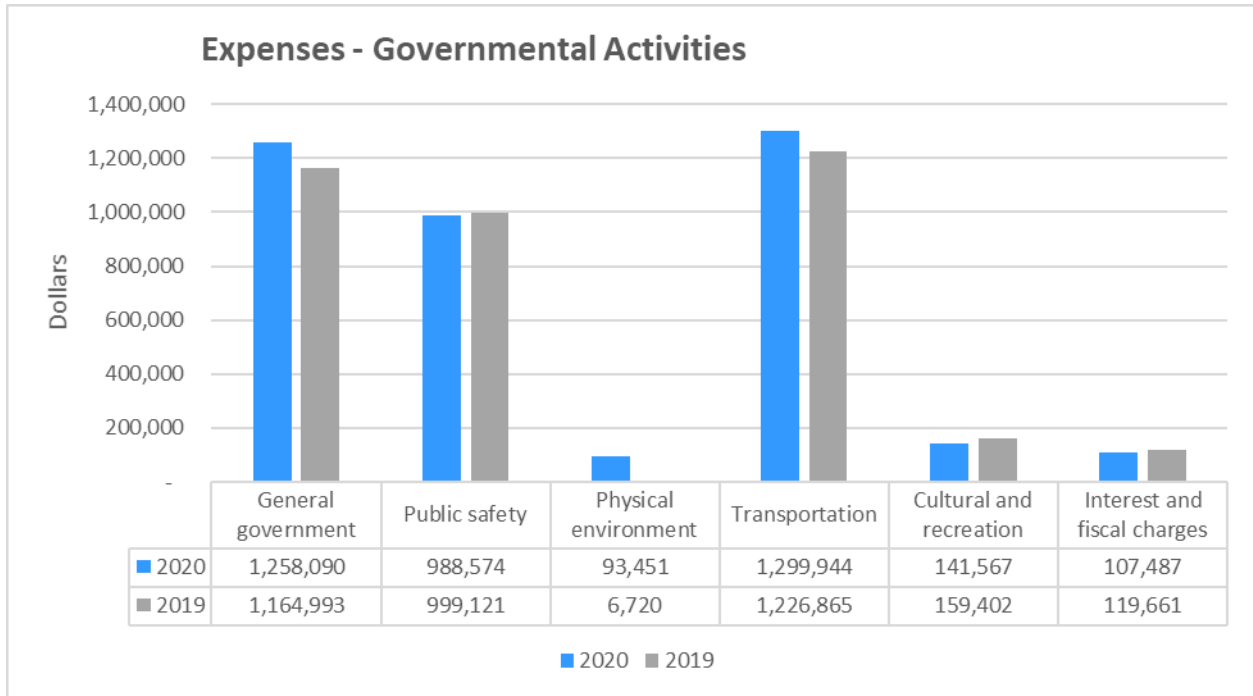
City of Fellsmere, Florida Management's Discussion and Analysis

Governmental activities. Governmental activities increased the City's net position by \$197,394. Key elements of this increase is as follows:

- Total expenses increased by \$212,351 or 5.8% for the year.
- Operating grants decreased by \$240,098 or (28.9)%. The decrease is due to the conscious decision to slow down our grant spending due to the uncertainty of COVID-19 funding, and our need to replenish our Infrastructure Fund balance.
- Property and other taxes increased \$27,750 or 1.0%, due to the improved real estate values in the County, and a strong first 8 months for tourism.

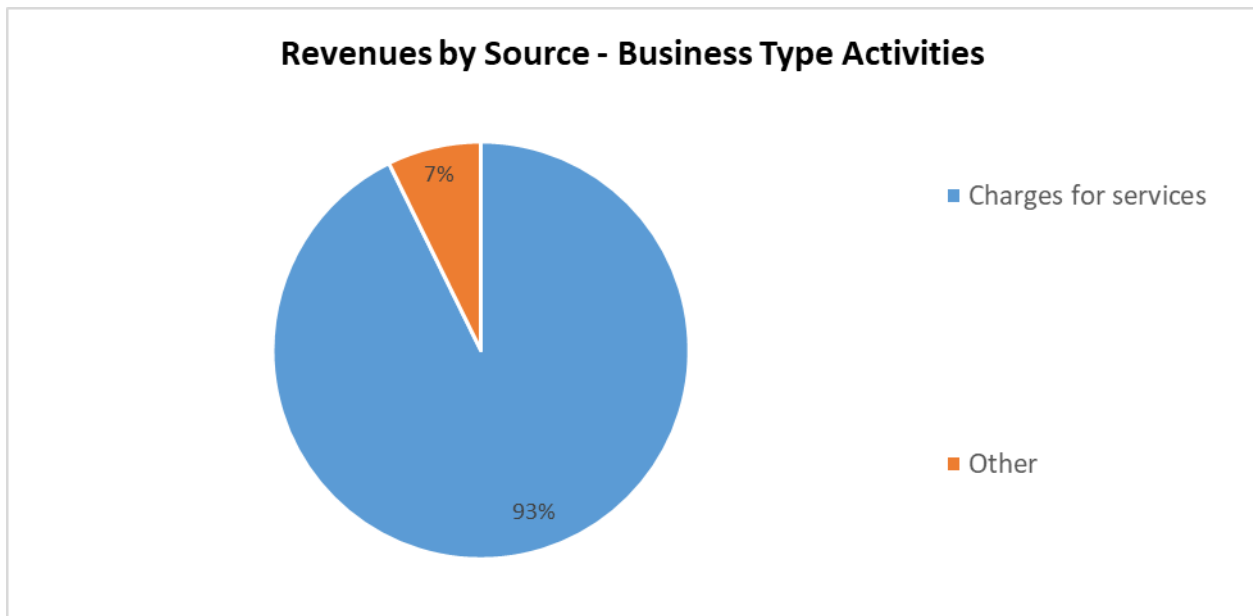


**City of Fellsmere, Florida
Management's Discussion and Analysis**

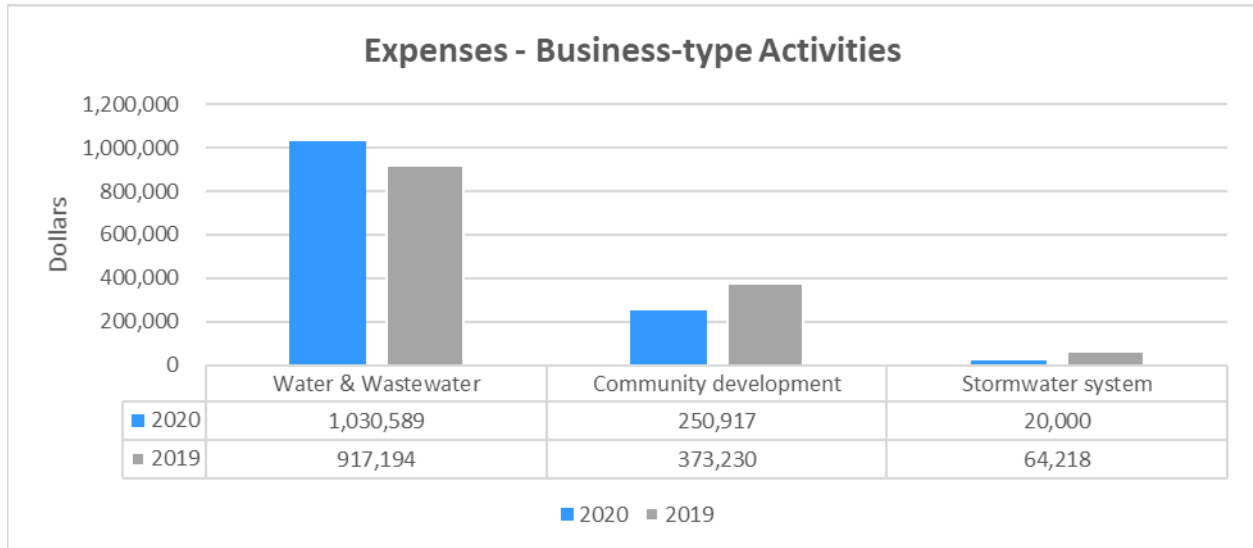


Business-type activities. Business-type activities increased the City’s net position by \$310,810. Key elements of this increase are as follows:

- There were no operating grants received this fiscal year.
- Rate increases were implemented for Water and Wastewater to bring the rates more in line with a recent rate study.



City of Fellsmere, Florida
Management's Discussion and Analysis



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

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

As of the end of the recent fiscal year, the City's governmental funds reported combined ending fund balances of \$1,037,387, an increase of \$520,753 in comparison with the prior year. An amount of \$563,353 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 City has a negative balance in the Infrastructure Fund at year-end due to an unfortunate series of events which were not entirely within our budgetary control. The Infrastructure Fund will naturally be replenished with the 1% sales tax and the City is meanwhile significantly curtailing all current and future grants along with capital expenditures in general.

The General Fund is the main operating fund of the City. At the end of the most recent fiscal year, unassigned fund balance of the General Fund was \$1,038,943 while the total fund balance reached \$1,149,873. 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 40.4% of total general fund expenditures, while total fund balance represents 44.8% of that same amount. The fund balance of the City's General Fund increased by \$44,978 during the current fiscal year.

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

City of Fellsmere, Florida
Management's Discussion and Analysis

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statement but in more detail. Unrestricted net position of the City's Water and Wastewater Fund, Community Development, and Stormwater Enterprise funds amounted to \$1,313,270. The total for unrestricted net position (deficit) for each of these funds was \$1,702,169, (\$534,823) and \$145,924, 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 2020, the City had \$26,607,704 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 decrease (including additions and deductions) of \$663,445, approximately 2.4% less than last year.

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

- A new dump truck was purchased to replace a 26 year-old dump truck, for approximately \$102,000.
- Other equipment costing approximately \$21,000 was added.
- Construction in progress was added totaling \$558,600.

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

- The City invested in land costs of \$4,199, while selling one lot valued at \$6,376 during the year.
- The City capitalized the cost of \$16,923 for waterline and well expansion.

| | Government Activities | | Business-type Activities | | Total | |
|-----------------------------------|-----------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 6,984,393 | \$ 6,984,393 | \$ 372,661 | \$ 374,838 | \$ 7,357,054 | \$ 7,359,231 |
| Construction in progress | 1,205,316 | 649,271 | - | - | 1,205,316 | 649,271 |
| Buildings | 2,843,372 | 3,088,360 | - | - | 2,843,372 | 3,088,360 |
| Improvements other than buildings | 770,163 | 779,006 | - | - | 770,163 | 779,006 |
| Machinery and equipment | 419,880 | 556,753 | 6,330,193 | 6,562,138 | 6,750,073 | 7,118,891 |
| Infrastructure | 7,681,726 | 8,276,390 | - | - | 7,681,726 | 8,276,390 |
| Total capital assets, net | \$ 19,904,850 | \$ 20,334,173 | \$ 6,702,854 | \$ 6,936,976 | \$ 26,607,704 | \$ 27,271,149 |

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

City of Fellsmere, Florida
Management's Discussion and Analysis

Long-term debt. At the end of the 2020 fiscal year, the City of Fellsmere had total outstanding debt of \$3,520,006 a decrease of \$163,577 from 2019.

| | General Obligation and Revenues Bonds | | | | | |
|--|---------------------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | Government Activities | | Business-type Activities | | Total | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Water revenue bond, 1993 | \$ - | \$ - | \$ 967,000 | \$ 1,021,000 | \$ 967,000 | \$ 1,021,000 |
| Capital improvement revenue bond, 2008 | 2,331,953 | 2,411,978 | - | - | 2,331,953 | 2,411,978 |
| Construction loans | - | - | 221,053 | 239,063 | 221,053 | 239,063 |
| Equipment loan | - | 11,542 | - | - | - | 11,542 |
| Total long-term debt | \$ 2,331,953 | \$ 2,423,520 | \$ 1,188,053 | \$ 1,260,063 | \$ 3,520,006 | \$ 3,683,583 |

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, tax rates and fees that will be charged for business-type activities. One of these factors is the economy.

During the most recently completed fiscal year, unassigned fund balance in the general fund increased to \$1,038,943. For the 2020 fiscal year, the City decreased the millage to the rolled back rate of 5.2210 (previous year was at 5.3662 mils), which anticipated returning a tax neutral ad valorem rate to the City for the 2020 fiscal year. The millage rate for 2021 is raised to 5.3226 mils as we anticipate that overall assessed values will increase slightly for the City's property tax levy.

The City completed its' study of rates for the Water, Wastewater and Stormwater systems in time to implement rate increases in the 2019--2020 fiscal year budget. No change was implemented in the Stormwater system. Our rate consultant recommended an immediate 18% Water System rate increase beginning October 1, 2017, and a 20% Wastewater rate increase as of October 1, 2017. Management felt such large rate increases were too high to make in one fiscal year, and has elected to phase in these rate increase recommendations over a three-year period for the water system and a five-year period for the wastewater system. In 2020, Water increased by 7% and Wastewater by 8%.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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City of Fellsmere, Florida
Statement of Net Position

| <i>September 30, 2020</i> | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 896,864 | \$ 947,565 | \$ 1,844,429 |
| Accounts receivable | 141,112 | 213,295 | 354,407 |
| Due from other governments | 269,802 | - | 269,802 |
| Internal balances | (287,000) | 287,000 | - |
| Inventories | - | 14,357 | 14,357 |
| Restricted cash and cash equivalents | 296,739 | 975,009 | 1,271,748 |
| Prepaid items | 61,790 | 10,810 | 72,600 |
| Capital assets: | | | |
| Nondepreciable | | | |
| Land | 6,984,393 | 372,661 | 7,357,054 |
| Construction in progress | 1,205,316 | - | 1,205,316 |
| Depreciable, net of accumulated depreciation | | | |
| Buildings | 2,843,372 | - | 2,843,372 |
| Improvements other than buildings | 770,163 | - | 770,163 |
| Machinery and equipment | 419,880 | 6,330,193 | 6,750,073 |
| Infrastructure | 7,681,726 | - | 7,681,726 |
| Total assets | 21,284,157 | 9,150,890 | 30,435,047 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 229,495 | 81,305 | 310,800 |
| Due to other governments | 94,907 | 1,474 | 96,381 |
| Unearned revenues | 17,518 | 211,172 | 228,690 |
| Noncurrent liabilities: | | | |
| Due within one year | 111,111 | 76,998 | 188,109 |
| Due in more than one year | 2,310,951 | 1,119,402 | 3,430,353 |
| Total liabilities | 2,763,982 | 1,490,351 | 4,254,333 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue - business tax revenue | - | 16,655 | 16,655 |
| Total deferred inflows of resources | - | 16,655 | 16,655 |
| NET POSITION | | | |
| Net investment in capital assets | 17,509,608 | 5,514,801 | 23,024,409 |
| Restricted for: | | | |
| Debt service | - | 439,515 | 439,515 |
| Renewal and replacement | - | 376,298 | 376,298 |
| Cemetery perpetual care | 49,140 | - | 49,140 |
| Capital projects | 363,104 | - | 363,104 |
| Unrestricted | 598,323 | 1,313,270 | 1,911,593 |
| Total net position | \$ 18,520,175 | \$ 7,643,884 | \$ 26,164,059 |

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

City of Fellsmere, Florida
Statement of Activities

Year Ended September 30, 2020

| Functions/Programs | Expenses | Program Revenues | |
|---------------------------------------|---------------------|----------------------|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions |
| Primary government | | | |
| Governmental activities: | | | |
| General government | \$ 1,258,090 | \$ 292 | \$ 507,786 |
| Public safety | 988,574 | 4,545 | 41,979 |
| Physical environment | 93,451 | 4,250 | 39,761 |
| Transportation | 1,299,944 | - | - |
| Culture and recreation | 141,567 | - | - |
| Interest and fiscal charges | 107,487 | - | - |
| Total governmental activities | 3,889,113 | 9,087 | 589,526 |
| Business-type activities: | | | |
| Water & Wastewater | 1,030,589 | 1,306,033 | - |
| Community development | 250,917 | 297,115 | - |
| Stormwater system | 20,000 | 127,970 | - |
| Total business-type activities | 1,301,506 | 1,731,118 | - |
| Total primary government | \$ 5,190,619 | \$ 1,740,205 | \$ 589,526 |

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

| | Governmental Activities | Business-type Activities | Total |
|----|----------------------------|-----------------------------|---------------|
| \$ | (750,012) | \$ - | \$ (750,012) |
| | (942,050) | - | (942,050) |
| | (49,440) | - | (49,440) |
| | (1,299,944) | - | (1,299,944) |
| | (141,567) | - | (141,567) |
| | (107,487) | - | (107,487) |
| | (3,290,500) | - | (3,290,500) |
| | - | 275,444 | 275,444 |
| | - | 46,198 | 46,198 |
| | - | 107,970 | 107,970 |
| | - | 429,612 | 429,612 |
| | (3,290,500) | 429,612 | (2,860,888) |
| | 571,139 | - | 571,139 |
| | 789,152 | - | 789,152 |
| | 170,656 | - | 170,656 |
| | 329,125 | - | 329,125 |
| | 441,384 | - | 441,384 |
| | 68,599 | - | 68,599 |
| | 64,502 | - | 64,502 |
| | 422,165 | - | 422,165 |
| | 6,570 | 11,760 | 18,330 |
| | 220,697 | - | 220,697 |
| | 149,169 | 124,174 | 273,343 |
| | 254,736 | (254,736) | - |
| | 3,487,894 | (118,802) | 3,369,092 |
| | 197,394 | 310,810 | 508,204 |
| | 18,322,781 | 7,333,074 | 25,655,855 |
| \$ | 18,520,175 | \$ 7,643,884 | \$ 26,164,059 |

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

City of Fellsmere, Florida
Balance Sheet - Governmental Funds

| <i>September 30, 2020</i> | General | Infrastructure | Stormwater Park |
|---|---------------------|-------------------|--------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 674,693 | \$ - | \$ 85,065 |
| Accounts receivable | 59,148 | - | 8,612 |
| Due from other funds | 465,105 | - | - |
| Due from other governments | 104,319 | 135,552 | - |
| Restricted cash and cash equivalents | - | 749 | - |
| Prepaid items | 61,790 | - | - |
| Total assets | \$ 1,365,055 | \$ 136,301 | \$ 93,677 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 24,385 | \$ 15,633 | \$ 93,677 |
| Accrued liabilities | 92,390 | - | - |
| Due to other funds | - | 687,000 | - |
| Due to other governments | 94,907 | - | - |
| Unearned revenues | 3,500 | - | - |
| Total current liabilities | 215,182 | 702,633 | 93,677 |
| Fund balances | | | |
| Nonspendable | 61,790 | - | - |
| Restricted | 49,140 | 749 | - |
| Unrestricted / unassigned (deficit) | 1,038,943 | (567,081) | - |
| Total fund balances | 1,149,873 | (566,332) | - |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,365,055 | \$ 136,301 | \$ 93,677 |

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

| Nonmajor Funds | Total Governmental Funds |
|-------------------|--------------------------------|
| \$ 137,106 | \$ 896,864 |
| 73,352 | 141,112 |
| - | 465,105 |
| 29,931 | 269,802 |
| 295,990 | 296,739 |
| - | 61,790 |
| <u>\$ 536,379</u> | <u>\$ 2,131,412</u> |
| | |
| \$ 3,410 | \$ 137,105 |
| - | 92,390 |
| 65,105 | 752,105 |
| - | 94,907 |
| 14,018 | 17,518 |
| <u>82,533</u> | <u>1,094,025</u> |
| | |
| - | 61,790 |
| 362,355 | 412,244 |
| 91,491 | 563,353 |
| <u>453,846</u> | <u>1,037,387</u> |
| | |
| <u>\$ 536,379</u> | <u>\$ 2,131,412</u> |

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, 2020

| | |
|--|----------------------|
| Total fund balances - governmental funds | \$ 1,037,387 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 19,904,850 |
| Certain liabilities, such as bonds payable and compensated absences, are not due and payable in the current period, and therefore are not reported in the funds. | (2,422,062) |
| Net position of governmental activities | \$ 18,520,175 |

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, 2020</i> | General | Infrastructure | Stormwater Park |
|--|--------------|----------------|--------------------|
| Revenues | | | |
| Taxes: | | | |
| Property | \$ 571,139 | \$ - | \$ - |
| Public utility | 441,384 | - | - |
| Sales | - | 789,152 | - |
| Motor fuel | - | - | - |
| Communications services | 68,599 | - | - |
| Franchise fees | 329,125 | - | - |
| Intergovernmental | 749,301 | - | 500,000 |
| Charges for services | 4,542 | - | - |
| Fines | 4,545 | - | - |
| Investment earnings | 5,374 | 974 | - |
| Other revenues | 135,573 | 2,071 | - |
| Total revenues | 2,309,582 | 792,197 | 500,000 |
| Expenditures | | | |
| Current: | | | |
| General government | 997,750 | - | - |
| Public safety | 937,448 | - | - |
| Physical environment | - | - | - |
| Transportation | 563,691 | - | - |
| Culture and recreation | 50,088 | - | - |
| Debt service: | | | |
| Principal | - | 91,567 | - |
| Interest and fiscal charges | - | 107,643 | - |
| Capital outlay | 20,220 | 148,777 | 496,237 |
| Total expenditures | 2,569,197 | 347,987 | 496,237 |
| Excess (deficiency) of revenues over (under) expenditures | (259,615) | 444,210 | 3,763 |
| Other financing sources (uses) | | | |
| Transfers in | 446,765 | 6,318 | - |
| Transfers out | (142,172) | (61,840) | (3,763) |
| Total other financing sources (uses) | 304,593 | (55,522) | (3,763) |
| Net change in fund balances | 44,978 | 388,688 | - |
| Fund balances (deficit), beginning of year | 1,104,895 | (955,020) | - |
| Fund balances (deficit), end of year | \$ 1,149,873 | \$ (566,332) | \$ - |

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

| Nonmajor Funds | Total Governmental Funds |
|-------------------|--------------------------------|
| \$ - | \$ 571,139 |
| - | 441,384 |
| - | 789,152 |
| 170,656 | 170,656 |
| - | 68,599 |
| - | 329,125 |
| 42,607 | 791,908 |
| - | 4,542 |
| - | 4,545 |
| - | 6,348 |
| 23,390 | 661,034 |
| <u>236,653</u> | <u>3,838,432</u> |
| 7,714 | 1,005,464 |
| - | 937,448 |
| 44,878 | 44,878 |
| 37,889 | 601,580 |
| - | 50,088 |
| - | 91,567 |
| - | 107,643 |
| 68,513 | 733,747 |
| <u>158,994</u> | <u>3,572,415</u> |
| <u>77,659</u> | <u>266,017</u> |
| 88,668 | 541,751 |
| (79,240) | (287,015) |
| <u>9,428</u> | <u>254,736</u> |
| 87,087 | 520,753 |
| 366,759 | 516,634 |
| <u>\$ 453,846</u> | <u>\$ 1,037,387</u> |

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, 2020

| | | |
|--|----|----------------|
| Net change in fund balances - total governmental funds | \$ | 520,753 |
|--|----|----------------|

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

| | | | |
|---------------------------------|----|---------------------------|------------------|
| Expenditures for capital assets | \$ | 727,597 | |
| Less: current year depreciation | | <u>(1,150,526)</u> | (422,929) |

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.

(6,395)

Repayment of bond principal and loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the principal payments on the long-term debt.

91,567

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.

14,398

| | | |
|---|----|----------------|
| Change in net position of governmental activities | \$ | 197,394 |
|---|----|----------------|

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

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

| <i>Year Ended September 30, 2020</i> | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| Revenues | | | | |
| Taxes: | | | | |
| Property | \$ 566,580 | \$ 566,580 | \$ 571,139 | \$ 4,559 |
| Public utility | 461,910 | 461,910 | 441,384 | (20,526) |
| Communications services | 66,000 | 66,000 | 68,599 | 2,599 |
| Franchise fees | 330,780 | 330,780 | 329,125 | (1,655) |
| Intergovernmental | 827,961 | 827,961 | 749,301 | (78,660) |
| Charges for services | 7,200 | 7,200 | 4,542 | (2,658) |
| Fines | 2,200 | 2,200 | 4,545 | 2,345 |
| Investment earnings | 3,390 | 3,390 | 5,374 | 1,984 |
| Other revenues | 115,570 | 115,570 | 135,573 | 20,003 |
| Total revenues | 2,381,591 | 2,381,591 | 2,309,582 | (72,009) |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,164,070 | 1,164,070 | 997,750 | 166,320 |
| Public safety | 1,116,970 | 1,116,970 | 937,448 | 179,522 |
| Transportation | 743,083 | 743,083 | 563,691 | 179,392 |
| Culture and recreation | 62,005 | 62,005 | 50,088 | 11,917 |
| Capital outlay | - | - | 20,220 | (20,220) |
| Total expenditures | 3,086,128 | 3,086,128 | 2,569,197 | 516,931 |
| Excess (deficiency) of revenues over (under) expenditures | (704,537) | (704,537) | (259,615) | 444,922 |
| Other financing sources (uses) | | | | |
| Transfers in | 830,880 | 830,880 | 446,765 | (384,115) |
| Transfers out | (126,343) | (126,343) | (142,172) | (15,829) |
| Total other financing sources (uses) | 704,537 | 704,537 | 304,593 | (399,944) |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | - | - | 44,978 | 44,978 |
| Fund balances, beginning of year | 1,104,895 | 1,104,895 | 1,104,895 | - |
| Fund balances, end of year | \$ 1,104,895 | \$ 1,104,895 | \$ 1,149,873 | \$ 44,978 |

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

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

| <i>Year Ended September 30, 2020</i> | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| Revenues | | | | |
| Taxes: | | | | |
| Sales | \$ 879,483 | \$ 879,483 | \$ 789,152 | \$ (90,331) |
| Investment earnings and other revenue | - | - | 3,045 | 3,045 |
| Total revenues | 879,483 | 879,483 | 792,197 | (87,286) |
| Expenditures | | | | |
| Current: | | | | |
| General government | 300 | 300 | - | 300 |
| Debt service: | | | | |
| Principal | 100,365 | 100,365 | 91,567 | 8,798 |
| Interest and fiscal charges | 119,118 | 119,118 | 107,643 | 11,475 |
| Capital outlay | 125,200 | 125,200 | 148,777 | (23,577) |
| Total expenditures | 344,983 | 344,983 | 347,987 | (3,004) |
| Excess of revenues over expenditures | 534,500 | 534,500 | 444,210 | (90,290) |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | 6,318 | 6,318 |
| Transfers out | (534,500) | (534,500) | (61,840) | 472,660 |
| Total other financing sources (uses) | (534,500) | (534,500) | (55,522) | 478,978 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | - | - | 388,688 | 388,688 |
| Fund balances (deficits), beginning of year | (955,020) | (955,020) | (955,020) | - |
| Fund balances (deficits), end of year | \$ (955,020) | \$ (955,020) | \$ (566,332) | \$ 388,688 |

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

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

| <i>Year Ended September 30, 2020</i> | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-----------------|----------------|-------------------------------|
| Revenues | | | | |
| Investment earnings | \$ - | \$ - | \$ - | \$ - |
| Other revenues | 787,000 | 787,000 | 500,000 | (287,000) |
| Total revenues | 787,000 | 787,000 | 500,000 | (287,000) |
| Expenditures | | | | |
| Current: | | | | |
| General government | 54,400 | 54,400 | - | 54,400 |
| Capital outlay | 732,600 | 732,600 | 496,237 | 236,363 |
| Total expenditures | 787,000 | 787,000 | 496,237 | 290,763 |
| Excess of revenues over expenditures | - | - | 3,763 | 3,763 |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | (3,763) | (3,763) |
| Total other financing sources (uses) | - | - | (3,763) | (3,763) |
| Excess of revenues and other financing sources over expenditures and other financing uses | - | - | - | - |
| Fund balances, beginning of year | - | - | - | - |
| Fund balances, end of year | \$ - | \$ - | \$ - | \$ - |

City of Fellsmere, Florida
Statement of Net Position
Proprietary Funds

| <i>September 30, 2020</i> | Water & Wastewater | Community Development |
|--|-----------------------|--------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 823,182 | \$ 2,325 |
| Restricted cash and cash equivalents | 975,009 | - |
| Accounts receivable | 122,145 | 67,284 |
| Due from other funds | 796,000 | - |
| Inventories | 14,357 | - |
| Prepaid items | 10,536 | 274 |
| Total current assets | 2,741,229 | 69,883 |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land | 324,564 | 37,860 |
| Machinery and equipment | 9,656,021 | 24,490 |
| Less accumulated depreciation | (3,385,224) | (23,525) |
| Total capital assets, net of accumulated depreciation | 6,595,361 | 38,825 |
| Total noncurrent assets | 6,595,361 | 38,825 |
| Total assets | 9,336,590 | 108,708 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 35,079 | 22,811 |
| Accrued liabilities | 14,559 | 8,642 |
| Accrued interest payable | 214 | - |
| Due to other funds | - | 509,000 |
| Due to other governmental units | - | 1,474 |
| Unearned revenues | 165,775 | 45,397 |
| Current portion of accrued compensated absences | 2,286 | 218 |
| Current portion of long-term debt | 74,494 | - |
| Total current liabilities | 292,407 | 587,542 |
| Noncurrent liabilities: | | |
| Accrued compensated absences, net of current portion | 5,334 | 509 |
| Long-term debt, net of current portion | 1,113,559 | - |
| Total noncurrent liabilities | 1,118,893 | 509 |
| Total liabilities | 1,411,300 | 588,051 |
| DEFERRED INFLOW OF RESOURCES | | |
| Deferred revenue - business tax receipts | - | 16,655 |
| Total deferred outflow of resources | - | 16,655 |
| NET POSITION (DEFICIT) | | |
| Net investment in capital assets | 5,407,308 | 38,825 |
| Restricted for: | | |
| Debt service | 439,515 | - |
| Renewal and replacement | 376,298 | - |
| Unrestricted (deficit) | 1,702,169 | (534,823) |
| Total net position (deficit) | \$ 7,925,290 | \$ (495,998) |

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

City of Fellsmere, Florida
Statement of Net Position
Proprietary Funds

| | Stormwater System - Nonmajor fund | | Total |
|--|---|-----------|--------------------|
| | \$ 122,058 | \$ | 947,565 |
| | - | | 975,009 |
| | 23,866 | | 213,295 |
| | - | | 796,000 |
| | - | | 14,357 |
| | - | | 10,810 |
| | <u>145,924</u> | | <u>2,957,036</u> |
| | 10,237 | | 372,661 |
| | 68,026 | | 9,748,537 |
| | <u>(9,595)</u> | | <u>(3,418,344)</u> |
| | 68,668 | | 6,702,854 |
| | <u>68,668</u> | | <u>6,702,854</u> |
| | <u>214,592</u> | | <u>9,659,890</u> |
| | - | | 57,890 |
| | - | | 23,201 |
| | - | | 214 |
| | - | | 509,000 |
| | - | | 1,474 |
| | - | | 211,172 |
| | - | | 2,504 |
| | - | | 74,494 |
| | <u>-</u> | | <u>879,949</u> |
| | - | | 5,843 |
| | - | | 1,113,559 |
| | <u>-</u> | | <u>1,119,402</u> |
| | <u>-</u> | | <u>1,999,351</u> |
| | - | | 16,655 |
| | <u>-</u> | | <u>16,655</u> |
| | 68,668 | | 5,514,801 |
| | - | | 439,515 |
| | - | | 376,298 |
| | <u>145,924</u> | | <u>1,313,270</u> |
| | <u>\$ 214,592</u> | <u>\$</u> | <u>7,643,884</u> |

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, 2020</i> | Water & Wastewater | Community Development |
|---|-----------------------|--------------------------|
| Operating revenues: | | |
| Charges for services | \$ 1,306,033 | \$ - |
| Building permits, licenses and fees | - | 297,115 |
| Other revenues | 54,270 | 68,400 |
| Total operating revenues | 1,360,303 | 365,515 |
| Operating expenses: | | |
| Salaries, wages and employee benefits | 194,576 | 86,942 |
| Contractual services, materials and supplies | 540,050 | 163,712 |
| Depreciation | 243,999 | 263 |
| Total operating expenses | 978,625 | 250,917 |
| Operating income (loss) | 381,678 | 114,598 |
| Nonoperating revenues (expenses): | | |
| Interest income | 11,723 | 37 |
| Interest expense | (51,964) | - |
| Total nonoperating revenues (expenses) | (40,241) | 37 |
| Income (loss) before transfers and capital contributions | 341,437 | 114,635 |
| Transfers | | |
| Transfers in | - | 130,164 |
| Transfers out | (264,600) | (54,000) |
| Total transfers | (264,600) | 76,164 |
| Change in net position | 76,837 | 190,799 |
| Net position (deficit), beginning of year | 7,848,453 | (686,797) |
| Net position (deficit), end of year | \$ 7,925,290 | \$ (495,998) |

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

| Stormwater System - Nonmajor fund | | Total |
|---|-----------------|---------------------|
| \$ | 127,970 | \$ 1,434,003 |
| | - | 297,115 |
| | 1,504 | 124,174 |
| | <u>129,474</u> | <u>1,855,292</u> |
| | - | 281,518 |
| | 15,394 | 719,156 |
| | 4,606 | 248,868 |
| | <u>20,000</u> | <u>1,249,542</u> |
| | <u>109,474</u> | <u>605,750</u> |
| | - | 11,760 |
| | - | (51,964) |
| | - | <u>(40,204)</u> |
| | 109,474 | 565,546 |
| | - | 130,164 |
| | (66,300) | (384,900) |
| | <u>(66,300)</u> | <u>(254,736)</u> |
| | 43,174 | 310,810 |
| | 171,418 | 7,333,074 |
| \$ | <u>214,592</u> | \$ <u>7,643,884</u> |

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, 2020</i> | Water & Wastewater | Community Development |
|--|-----------------------|--------------------------|
| Cash flows from operating activities: | | |
| Cash received from customers for sales and services | \$ 1,356,612 | \$ 310,444 |
| Internal activity - payments (receipts) from other funds | 523,000 | (146,000) |
| Cash payments to employees | (104,143) | (53,026) |
| Cash payments to suppliers for goods and services | (608,000) | (187,166) |
| Net cash provided by (used in) operating activities | 1,167,469 | (75,748) |
| Cash flows from noncapital financing activities: | | |
| Transfers from other funds | - | 130,164 |
| Transfers to other funds | (264,600) | (54,000) |
| Net cash provided by (used in) noncapital financing activities | (264,600) | 76,164 |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (10,547) | - |
| Principal paid on long-term debt | (72,010) | - |
| Interest paid on long-term debt | (51,750) | - |
| Net cash used in capital and related financing activities | (134,307) | - |
| Cash flows from investing activities: | | |
| Interest on investments | 11,723 | 37 |
| Net cash provided by investing activities | 11,723 | 37 |
| Net increase in cash and cash equivalents | 780,285 | 453 |
| Cash and cash equivalents, beginning of year | 1,017,906 | 1,872 |
| Cash and cash equivalents, end of year | \$ 1,798,191 | \$ 2,325 |
| Classified on the statement of net position as: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 823,182 | \$ 2,325 |
| Restricted cash and cash equivalents | 975,009 | - |
| | \$ 1,798,191 | \$ 2,325 |

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

| Stormwater System - Nonmajor fund | | Total |
|---|-----------------|---------------------|
| \$ | 122,954 | \$ 1,790,010 |
| | - | 377,000 |
| | - | (157,169) |
| | (15,394) | (810,560) |
| | <u>107,560</u> | <u>1,199,281</u> |
| | - | 130,164 |
| | (66,300) | (384,900) |
| | <u>(66,300)</u> | <u>(254,736)</u> |
| | (4,199) | (14,746) |
| | - | (72,010) |
| | - | (51,750) |
| | <u>(4,199)</u> | <u>(138,506)</u> |
| | - | 11,760 |
| | - | 11,760 |
| | 37,061 | 817,799 |
| | 84,997 | 1,104,775 |
| \$ | <u>122,058</u> | \$ <u>1,922,574</u> |
| \$ | 122,058 | \$ 947,565 |
| | - | 975,009 |
| \$ | <u>122,058</u> | \$ <u>1,922,574</u> |

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, 2020</i> | Water & Wastewater | Community Development |
|--|-----------------------|--------------------------|
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | |
| Operating income (loss) | \$ 381,678 | \$ 114,598 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation expense | 243,999 | 263 |
| Change in assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Accounts receivable | (19,934) | (20,351) |
| Due from other funds | 523,000 | - |
| Inventories | (3,988) | - |
| Prepaid items | (9,473) | 529 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 17,372 | 16,783 |
| Accrued liabilities | 12,271 | 385 |
| Due to other funds | - | (146,000) |
| Due to other governmental units | - | 1,474 |
| Accrued compensated absences | 6,301 | (7,235) |
| Unearned revenues | 16,243 | (40,128) |
| Deferred inflows - business tax receipts | - | 3,934 |
| Total adjustments | 785,791 | (190,346) |
| Net cash provided by (used in) operating activities | \$ 1,167,469 | \$ (75,748) |

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

| Stormwater System - Nonmajor fund | | Total |
|---|---------------------|-------|
| <u>\$ 109,474</u> | <u>\$ 605,750</u> | |
| 4,606 | 248,868 | |
| (6,520) | (46,805) | |
| - | 523,000 | |
| - | (3,988) | |
| - | (8,944) | |
| - | 34,155 | |
| - | 12,656 | |
| - | (146,000) | |
| - | 1,474 | |
| - | (934) | |
| - | (23,885) | |
| - | 3,934 | |
| <u>(1,914)</u> | <u>593,531</u> | |
| <u>\$ 107,560</u> | <u>\$ 1,199,281</u> | |

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

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fellsmere, Florida (the “City”), located in Indian River County (the “County”), was incorporated in 1911. The City was created under the legal authority of Article VIII of the Florida Constitution, Florida Statutes’ Chapter 165 and pursuant to the Laws of Florida 11480, Act of 1925. The City operates under a Council - manager form of government whereby the mayor is elected from the five members of Council. The City provides the following services: General and Administrative Services, Public Safety-Police, Public Works-Streets, Culture and Recreation, Water, Wastewater Systems, and Community Development. The City has a population of 5,723.

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

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the City is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and as such, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government. The City reported no discretely presented component units for the year ended September 30, 2020.

Blended Component Unit

The following component unit is blended with the primary government for financial statement purposes because the component unit’s governing body is substantially the same as the City Council and because the component unit exclusively serves the City.

Community Redevelopment Agency (CRA) – The governing body of the CRA is the Fellsmere City Council. The CRA was formed in November 2005 and is accounted for in a special revenue fund entitled “Community Redevelopment Agency Fund.”

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the City has none of the latter. 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 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 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except expenditure-driven grants which must be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 *Stormwater Park Fund* accounts for the financial resources used for the improvements at South Regional Lake.

The City reports the following major proprietary 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 fund's 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 on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Cash and Cash Equivalents

Cash and cash equivalents represent all investments that are short term, highly liquid, and readily convertible to a specified cash value. These investments generally have an original maturity of three months or less. Cash and cash equivalents consist of cash in banks and on hand.

2. Deposits

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories." By doing so, those governmental units will be covered by Florida's Public Deposits Program, a statewide collateralization program that protects public deposits.

The City had deposits only with qualifying public depositories as of September 30, 2020.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (continued)

2. Deposits (continued)

The City is authorized to invest in financial instruments, as established by Florida Statute. The authorized investments consist of:

The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act.

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Savings accounts in state-certified qualified public depositories.

Certificates of deposit in state-certified qualified public depositories.

Direct obligations of the U.S. Treasury.

3. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

4. Accounts Receivable

Accounts receivable consist of trade receivables and are recorded at the net realizable value. The City has no allowance for doubtful accounts as of September 30, 2020, as all receivables are considered collectible.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (continued)

5. Inventories and Prepaid Items

Inventory at September 30, 2020 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.

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. Costs are recorded as expenditures or expenses when consumed rather than when purchased. Prepaid items consist of prepaid insurance at September 30, 2020.

6. Restricted Net Position

Certain assets of the City are classified as restricted 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 assets, qualified expenses are considered to be paid first from restricted assets, then from unrestricted assets.

7. Capital Assets

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (continued)

7. Capital Assets (continued)

Depreciation on all assets is provided on the straight-line basis 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 |

8. Unearned Revenues

Unearned revenues include amounts collected before the revenue recognition criteria are met. The unearned items consist of a retainer for a preliminary development plan and developer prepaid deposits.

9. Deferred Inflows of Resources

Unavailable revenues in governmental funds and resources received before time requirements were met are deferred inflows of resources. As of September 30, 2020, there were no amounts reported as deferred inflows in the governmental funds. As of September 30, 2020, there was \$16,655 reported as deferred inflows for business tax receipts in the proprietary funds.

10. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation. These are accounted for using the termination payment method. All vacation amounts are accrued in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example as a result of employee resignations and retirements.

11. Long-term Obligations

In the government-wide financial statements and in the 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 premium and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (continued)

11. Long-term Obligations (continued)

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the City Manager or his/her designee. Unassigned fund balance is the residual classification for the General Fund.

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

At September 30, 2020, the Infrastructure fund and the Community Development fund had a deficit fund balance of \$566,332 and \$495,998, respectively. The City intends to reduce the fund deficit in the Infrastructure fund in fiscal year 2021 through expected increased grant revenue and decreased spending. The City intends to reduce the fund deficit in the Community Development fund in fiscal year 2021 through reduced staffing and an aggressive foreclosure and code enforcement presence.

13. 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. The City utilizes various investment

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (continued)

13. Use of Estimates (continued)

instruments, which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 9, 2021 and determined there were no events that occurred that required disclosure.

Note 2: 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, 2020. Appropriations, except open project appropriations, lapse at the end of each fiscal year.

Note 2: BUDGETARY INFORMATION (Continued)

The appropriated budget is prepared by fund, function, and department. Shifts in appropriations within fund totals may be done on the authority of the City Manager. Transfers of appropriations between funds require approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations made by the City Council) is the fund level. Budget adjustments made during the year ended September 30, 2020 were approved by the City Council.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At September 30, 2020, the carrying amount of the City's deposits with banks was \$3,115,427 and the bank balance was \$3,150,011. In addition, the City holds \$750 of petty cash.

All the deposits 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 depositor, 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 Governmental Funds at September 30, 2020 consists of \$749 in the Infrastructure fund, which must be used only for expenditures and costs associated with the construction, reconstruction, or improvement of public domain ("infrastructure") projects, or for the purchase of certain vehicles and equipment with at least a five year life expectancy.

Restricted cash also includes \$81,268 in unspent community redevelopment agency trust funds. Under Florida law, these funds may be used only for the rehabilitation of slum or blighted areas within the City. Restricted cash includes \$214,722 in unspent local option gas tax funds. Under Florida law, these funds may be used only for the purchase, construction, maintenance and operation of transportation facilities and road and street right-of-ways. The balances of restricted cash in the governmental funds are housed within various special revenue funds and are restricted to the specific purpose of that fund.

Restricted cash in the Enterprise Funds at September 30, 2020 consists of unspent water and wastewater system impact fees and interest earned on these funds of \$535,494. 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 \$439,515.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

Custodial Credit Risk. The City’s investment policy pursuant to Florida State Statutes 218.415(18), requires securities, with the exception of certificates of deposit, to be held with a third party custodian; and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposit maintained by book-entry at the issuing bank shall clearly identify the City as the owner.

As of September 30, 2020, the City did not have any securities that were required to be held with a third party custodian.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. In lieu of adopting its own investment policy, the City invests surplus funds pursuant to the guidelines in Florida Statute 218.415, subsection 17. The City did not have any investments at September 30, 2020.

B. Interfund receivables and payables and transfers

The composition of interfund balances as of September 30, 2020, was as follows:

| | Due from Other Funds | Due to Other Funds |
|----------------------------|-------------------------|-----------------------|
| General fund | \$ 465,105 | \$ - |
| Infrastructure fund | - | 687,000 |
| Non major fund | - | 65,105 |
| Water & Wastewater fund | 796,000 | - |
| Community development fund | - | 509,000 |
| Total | \$ 1,261,105 | \$ 1,261,105 |

The Community Development fund required funding from the General fund, and the Infrastructure fund required funding from the Water Department fund to support operations.

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

B. Interfund receivables and payables and transfers (continued)

For the year ended September 30, 2020, interfund transfers consisted of the following:

| Transfers Out | Transfers In | | | | Totals |
|---|-------------------|---------------------|-----------------------------|----------------------------|-------------------|
| | General fund | Infrastructure fund | Nonmajor governmental funds | Community development fund | |
| General fund | \$ - | \$ - | \$ 26,828 | \$ 115,344 | \$ 142,172 |
| Infrastructure fund | - | - | 61,840 | - | 61,840 |
| Nonmajor governmental funds | 76,685 | 2,555 | - | - | 79,240 |
| Stormwater park | - | 3,763 | - | - | 3,763 |
| Water & Wastewater fund | 256,056 | - | - | 8,544 | 264,600 |
| Community development fund | 54,000 | - | - | - | 54,000 |
| Stormwater system - nonmajor proprietary fund | 60,024 | - | - | 6,276 | 66,300 |
| Totals | \$ 446,765 | \$ 6,318 | \$ 88,668 | \$ 130,164 | \$ 671,915 |

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; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the primary government for the year ended September 30, 2020 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|-------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 6,984,393 | \$ - | \$ - | \$ 6,984,393 |
| Construction in progress | 649,271 | 558,600 | (2,555) | 1,205,316 |
| Total capital assets, not being depreciated | 7,633,664 | 558,600 | (2,555) | 8,189,709 |
| Capital assets, being depreciated: | | | | |
| Buildings | 5,914,287 | 45,110 | (11,100) | 5,948,297 |
| Improvements other than buildings | 3,528,601 | - | - | 3,528,601 |
| Machinery and equipment | 1,950,856 | 123,887 | (116,555) | 1,958,188 |
| Infrastructure | 13,650,795 | - | - | 13,650,795 |
| Total capital assets, being depreciated | 25,044,539 | 168,997 | (127,655) | 25,085,881 |
| Less accumulated depreciation for: | | | | |
| Buildings | (2,825,927) | (286,259) | 7,261 | (3,104,925) |
| Improvements other than buildings | (2,749,595) | (8,843) | - | (2,758,438) |
| Machinery and equipment | (1,394,103) | (260,760) | 116,555 | (1,538,308) |
| Infrastructure | (5,374,405) | (594,664) | - | (5,969,069) |
| Total accumulated depreciation | (12,344,030) | (1,150,526) | 123,816 | (13,370,740) |
| Total capital assets, being depreciated, net | 12,700,509 | (981,529) | (3,839) | 11,715,141 |
| Governmental activities capital assets, net | \$ 20,334,173 | \$ (422,929) | \$ (6,394) | \$ 19,904,850 |

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (continued)

| | Ending | Increases | Decreases | Ending |
|---|---------------------|---------------------|-------------------|---------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 374,838 | \$ 4,199 | \$ (6,376) | \$ 372,661 |
| Construction in progress | - | - | - | - |
| Total capital assets, not being depreciated | 374,838 | 4,199 | (6,376) | 372,661 |
| Capital assets, being depreciated: | | | | |
| Water plant | 2,888,572 | 2,283 | - | 2,890,855 |
| Water lines | 4,054,267 | 14,640 | - | 4,068,907 |
| Water tank | 408,813 | - | - | 408,813 |
| Vehicle and equipment | 72,222 | - | - | 72,222 |
| Equipment | 24,490 | - | - | 24,490 |
| Wastewater lines | 2,215,224 | - | - | 2,215,224 |
| Stormwater equipment | 68,026 | - | - | 68,026 |
| Total capital assets, being depreciated | 9,731,614 | 16,923 | - | 9,748,537 |
| Less accumulated depreciation for: | | | | |
| Water plant | (707,150) | (60,069) | - | (767,219) |
| Water lines | (1,526,711) | (120,269) | - | (1,646,980) |
| Water tank | (197,252) | (7,242) | - | (204,494) |
| Vehicle and equipment | (72,222) | (76) | - | (72,298) |
| Equipment | (23,262) | (263) | - | (23,525) |
| Wastewater lines | (637,890) | (56,343) | - | (694,233) |
| Stormwater equipment | (4,989) | (4,606) | - | (9,595) |
| Total accumulated depreciation | (3,169,476) | (248,868) | - | (3,418,344) |
| Total capital assets, being depreciated, net | 6,562,138 | (231,945) | - | 6,330,193 |
| Business-type activities capital assets, net | \$ 6,936,976 | \$ (227,746) | \$ (6,376) | \$ 6,702,854 |

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (continued)

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

| | |
|--|---------------------|
| Governmental activities: | |
| General government | \$ 252,563 |
| Public safety | 65,697 |
| Transportation | 740,787 |
| Culture and recreation | 91,479 |
| Total depreciation expense - governmental activities | \$ 1,150,526 |
| Business-type activities: | |
| Water & Wastewater | \$ 243,999 |
| Community development | 263 |
| Stormwater | 4,606 |
| Total depreciation expense - business-type activities | \$ 248,868 |

D. Accounts payable and accrued liabilities

Payables are comprised of the following at year-end:

| | Governmental Activities | Business-type Activities |
|------------------------------------|----------------------------|-----------------------------|
| Accounts payable | \$ 137,105 | \$ 57,890 |
| Accrued liabilities | 92,390 | 23,201 |
| Accrued interest on long-term debt | - | 214 |
| Total payables | \$ 229,495 | \$ 81,305 |

E. Construction Commitments

The City has no commitments outstanding at September 30, 2020.

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|-----------|--------------|-------------------|------------------------|
| Governmental activities: | | | | | |
| Capital improvement bond | \$ 2,411,978 | \$ - | \$ (80,025) | \$ 2,331,953 | \$ 84,078 |
| Equipment loan | 11,542 | - | (11,542) | - | - |
| Compensated absences | 104,507 | 28,270 | (42,668) | 90,109 | 27,033 |
| Total governmental activities | \$ 2,528,027 | \$ 28,270 | \$ (134,235) | \$ 2,422,062 | \$ 111,111 |

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|-----------|-------------|-------------------|------------------------|
| Business-type activities: | | | | | |
| Revenue bond | \$ 1,021,000 | \$ - | \$ (54,000) | \$ 967,000 | \$ 56,000 |
| Construction loans | 239,063 | - | (18,010) | 221,053 | 18,494 |
| Compensated absences | 9,281 | 246 | (1,180) | 8,347 | 2,504 |
| Total business-type activities | \$ 1,269,344 | \$ 246 | \$ (73,190) | \$ 1,196,400 | \$ 76,998 |

Capital Improvement Bond - Direct Borrowing

In December 2008, the City authorized a \$3,000,000, 30-year capital improvement revenue bond, Series 2008, to fund the renovation of the Historic Fellsmere School Building. The bond was purchased by a local financial institution, at a stated interest rate of 4.5%. The bonds provide for a pledge of receipts from the one-cent infrastructure sales surtax and upon the expiration of the sales surtax, the bond will be further secured by proceeds of the City's half-cent sales tax. Repayment of the bonds began in October 2010 with monthly installments of \$15,632 through January 2039. The bond agreement contains a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment. At September 30, 2020 the balance of the loan was \$2,331,953.

Equipment Loan - Direct Borrowing

In 2017, the City entered into an unsecured loan with the bank for the purchase of two police vehicles. The loan was repaid with 36 monthly payments of \$1,461, until May of 2020. Interest was charged at 3.25%, and at September 30, 2020 the balance of the loan was \$0.

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

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (continued)

revenues from the Water & Wastewater utility, net of payments on the Revenue Bond, are pledged as security for repayment of these loans. The current pledged revenues were \$569,677. The current principal and interest was \$24,271 or 4% of pledged revenues. Both loans are to be repaid with 40 semi-annual payments of \$7,288 for loan #1 and \$4,837 for loan #2 in March and September ending in March and September 2031, respectively. Interest is charged at 2.71% and 2.61%, respectively. The loan agreement includes certain covenants with which the City was in compliance at September 30, 2020. 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, 2020 the balances of loan #1 and #2 were \$132,430 and \$88,623, respectively.

Revenue Bond Payable

The City issued a Water Revenue Bond, Series 1993, with an interest rate of 4.5% in April 1994 in the amount of \$1.8 million in order to finance the construction of a public water system. Construction was completed and the system was brought on-line in March 1995. The bondholder is the United States Department of Agriculture-Rural Economic and Community Development.

The bond constitutes a special obligation of the City secured by a lien on and pledge of the gross revenues of the water system. Additionally, the bond is serviced by a deficiency pledge of the City's half-cent sales tax revenue to the extent needed each month to provide for any deficiency in water revenues. The bond is repaid with monthly payments of approximately \$8,300 through September 2033. In the event of default, outstanding amounts become immediately due if the City is unable to make payment. The City's water revenues and half-cent sales tax revenues amounted to \$1,360,303 and \$422,165, respectively, in 2020.

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

| Year Ended September 30, | Governmental Activities | | Business-type Activities | |
|-----------------------------|-------------------------|---------------------|--------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 84,078 | \$ 103,505 | \$ 74,494 | \$ 49,291 |
| 2022 | 87,940 | 99,642 | 77,991 | 46,275 |
| 2023 | 91,980 | 95,602 | 81,502 | 43,110 |
| 2024 | 95,949 | 91,634 | 84,026 | 39,795 |
| 2025 | 100,613 | 86,969 | 87,564 | 36,377 |
| 2026 - 2030 | 576,572 | 361,340 | 411,415 | 109,077 |
| 2031 - 2035 | 721,813 | 216,100 | 371,061 | 41,425 |
| 2036 - 2039 | 573,008 | 45,679 | - | - |
| Total | \$ 2,331,953 | \$ 1,100,471 | \$ 1,188,053 | \$ 365,350 |

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

G. Operating Leases (continued)

The City's copy machine is leased under a five-year, operating lease for \$108 a month which expires on May 18, 2022.

Minimum future rental payments under the non-cancelable operating leases as of September 30, 2020, are as follows:

| | |
|-------------------------------------|-----------------|
| Years ending September 30, | |
| 2021 | \$ 1,297 |
| 2022 | 865 |
| <u>Total minimum lease payments</u> | <u>\$ 2,162</u> |

Total rent expense charged to expense in 2020 was \$1,297.

E. Asset Retirement Obligation

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

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

Note 4: RISK MANAGEMENT

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

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

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

Note 5: PROPERTY TAXES

Property taxes are billed and collected within the same fiscal period, and are reflected on the cash basis when received from the tax collector. Since virtually all taxes levied will be collected through the tax collection process, remittances in October and November for prior year taxes are insignificant. Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State that regulate tax assessments are designed to assure a consistent property valuation method. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. For the year ended September 30, 2020, 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 6: CONTINGENT LIABILITIES

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

Note 7: BENEFIT PLANS

Governmental Money Purchase Plan and Trust

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

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 2020. Although the charter officers and department heads may participate in both the deferred compensation plan (see Note 8) and the governmental money purchase plan and trust, the City will contribute to only one plan on their behalf. Total City contributions to the plan amounted to \$49,301 for the fiscal year ended September 30, 2020. 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.

Retirement Health Savings Plan

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, 2020, the City credited \$3,500 to each employee's account, and an additional \$3,500 to those employees with dependent coverage for a total of \$7,000, which amounted to \$134,308. All full-time employees participate in the plan.

In July of each year, a percentage (as determined by the City Management) of the employee's remaining balance in the health reimbursement account is swept from that account into the retirement health savings plan. The percentage swept this year was 20% of the remaining July balance. For the year ended September 30, 2020, the employees' remaining balance in the health reimbursement account amounted to \$137,872.

The retirement health savings 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

Note 7: BENEFIT PLANS (Continued)

Retirement Health Savings Plan (continued)

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 8: DEFERRED COMPENSATION PLAN

Beginning July 1, 1997, the City established a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan is administered by an independent plan administrator through an administrative service agreement. Participation in the plan is available to all City employees (participants) whereby the employees defer a portion of their salary in the form of plan contributions. In addition to employee contributions, the City has agreed to contribute 13% of employee salaries and wages for employees who contributed 4% in 2020.

Employer and employee contributions to the plan were \$107,764 and \$62,091, respectively in 2020. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship.

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

Note 9: FUND BALANCES - GOVERNMENTAL FUNDS

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

City of Fellsmere, Florida
Notes to Financial Statements

Note 9: FUND BALANCES - GOVERNMENTAL FUNDS (Continued)

| | General Fund | Infrastructure | Stormwater Park | Nonmajor Governmental Funds | Totals |
|--|---------------------|---------------------|--------------------|-----------------------------------|---------------------|
| Nonspendable: | | | | | |
| Prepaid items | \$ 61,790 | \$ - | \$ - | \$ - | \$ 61,790 |
| Total nonspendable | 61,790 | - | - | - | 61,790 |
| Restricted for: | | | | | |
| Stormwater Park | - | - | - | - | - |
| Capital Projects | - | 749 | - | 362,353 | 363,102 |
| Brookside Cemetary | 49,140 | - | - | - | 49,140 |
| Total restricted | 49,140 | 749 | - | 362,353 | 412,242 |
| Unassigned | 1,038,943 | (567,081) | - | 91,492 | 563,354 |
| Total fund balances, governmental funds | \$ 1,149,873 | \$ (566,332) | \$ - | \$ 453,845 | \$ 1,037,386 |

Note 10: FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in future years.

GASB Statement No. 84, Fiduciary Activities ("GASB 84"), seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

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

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Note 10: FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Note 11: CONTINGENCY

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

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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

| | Special Revenue | | | |
|--|----------------------------|--|---------------------------------|-------------------|
| <i>September 30, 2020</i> | Local Option Gas Tax | FDOT 195/ CR 512 Interlocal Beautification | FOA Transportation Access | CDBG Phase VII |
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ 3 | \$ 26 | \$ - |
| Accounts receivable | - | 5,400 | 23,251 | - |
| Due from other governments | 29,931 | - | - | - |
| Restricted cash and cash equivalents | 214,722 | - | - | - |
| Total assets | \$ 244,653 | \$ 5,403 | \$ 23,277 | \$ - |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,655 | \$ - | \$ - | \$ - |
| Unearned revenues | - | - | - | - |
| Due to other funds | - | 105 | 20,200 | - |
| Total liabilities | 1,655 | 105 | 20,200 | - |
| FUND BALANCES | | | | |
| Restricted | 154,181 | 5,298 | 403 | - |
| Unrestricted / unassigned | 88,817 | - | 2,674 | - |
| Total fund balances | 242,998 | 5,298 | 3,077 | - |
| Total liabilities and fund balances | \$ 244,653 | \$ 5,403 | \$ 23,277 | \$ - |

Special Revenue

| Historic Train Village | FCT Mitigation Parcel | Tap S. Broadway Sidewalk | Irma Recovery Revenue | NRL Littoral Planting |
|------------------------------|--------------------------|--------------------------------|-----------------------------|-----------------------------|
| \$ 4,082 | \$ - | \$ 705 | \$ - | \$ 60 |
| - | - | - | - | 4,940 |
| - | - | - | - | - |
| - | - | - | - | - |
| \$ 4,082 | \$ - | \$ 705 | \$ - | \$ 5,000 |
| \$ - | \$ - | \$ 705 | \$ - | \$ - |
| - | - | - | - | - |
| - | - | - | - | 5,000 |
| - | - | 705 | - | 5,000 |
| 4,082 | - | - | - | - |
| - | - | - | - | - |
| 4,082 | - | - | - | - |
| \$ 4,082 | \$ - | \$ 705 | \$ - | \$ 5,000 |

City of Fellsmere, Florida
Combining Balance Sheet
Nonmajor Governmental Funds (continued)

Special Revenue

| <i>September 30, 2020</i> | Cares Act Fund | Special Projects | Community Redev | Total |
|--|-------------------|---------------------|--------------------|-------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 39 | \$ 132,191 | \$ - | \$ 137,106 |
| Accounts receivable | 39,761 | - | - | 73,352 |
| Due from other governments | - | - | - | 29,931 |
| Restricted cash and cash equivalents | - | - | 81,268 | 295,990 |
| Total assets | \$ 39,800 | \$ 132,191 | \$ 81,268 | \$ 536,379 |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 1,030 | \$ 20 | \$ 3,410 |
| Unearned revenues | - | 14,018 | - | 14,018 |
| Due to other funds | 39,800 | - | - | 65,105 |
| Total liabilities | 39,800 | 15,048 | 20 | 82,533 |
| FUND BALANCES | | | | |
| Restricted | - | 117,143 | 81,248 | 362,355 |
| Unrestricted / unassigned | - | - | - | 91,491 |
| Total fund balances | - | 117,143 | 81,248 | 453,846 |
| Total liabilities and fund balances | \$ 39,800 | \$ 132,191 | \$ 81,268 | \$ 536,379 |

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

| <i>For the year ended September 30, 2020</i> | Special Revenue | | | |
|--|----------------------------|--|---------------------------------|-------------------|
| | Local Option Gas Tax | FDOT 195/ CR 512 Interlocal Beautification | FOA Transportation Access | CDBG Phase VII |
| REVENUES | | | | |
| Taxes: | | | | |
| Motor fuel | \$ 170,656 | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - |
| Other revenues | - | - | - | - |
| Total revenues | 170,656 | - | - | - |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Physical environment | - | - | - | - |
| Transportation | 37,889 | - | - | - |
| Capital outlay | - | - | - | 13,578 |
| Total expenditures | 37,889 | - | - | 13,578 |
| Excess (deficiency) of revenues over (under) expenditures | 132,767 | - | - | (13,578) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | 13,578 |
| Transfers out | (73,839) | - | - | - |
| Total other financing sources (uses) | (73,839) | - | - | 13,578 |
| Net change in fund balances | 58,928 | - | - | - |
| Fund balances, beginning of year | 184,070 | 5,298 | 3,077 | - |
| Fund balances, end of year | \$ 242,998 | \$ 5,298 | \$ 3,077 | \$ - |

Special Revenue

| Historic Train Village | FCT Mitigation Parcel | Tap S. Broadway Sidewalk | Irma Recovery Revenue | NRL Littoral Planting |
|------------------------------|--------------------------|--------------------------------|-----------------------------|-----------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | 2,846 | - |
| - | - | - | - | 4,940 |
| - | - | - | 2,846 | 4,940 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 6,339 | 41,923 | - | 2,385 |
| - | 6,339 | 41,923 | - | 2,385 |
| - | (6,339) | (41,923) | 2,846 | 2,555 |
| - | 6,339 | 41,923 | - | - |
| - | - | - | (2,846) | (2,555) |
| - | 6,339 | 41,923 | (2,846) | (2,555) |
| - | - | - | - | - |
| 4,082 | - | - | - | - |
| \$ 4,082 | \$ - | \$ - | \$ - | \$ - |

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

| Special Revenue | | | | |
|--|-------------------|---------------------|--------------------|------------|
| <i>For the year ended September 30, 2020</i> | Cares Act Fund | Special Projects | Community Redev | Total |
| REVENUES | | | | |
| Taxes: | | | | |
| Motor fuel | \$ - | \$ - | \$ - | \$ 170,656 |
| Intergovernmental | 39,761 | - | - | 42,607 |
| Other revenues | - | - | 18,450 | 23,390 |
| Total revenues | 39,761 | - | 18,450 | 236,653 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | - | - | 7,714 | 7,714 |
| Physical environment | 35,473 | 9,405 | - | 44,878 |
| Transportation | - | - | - | 37,889 |
| Capital outlay | 4,288 | - | - | 68,513 |
| Total expenditures | 39,761 | 9,405 | 7,714 | 158,994 |
| Excess (deficiency) of revenues over (under) expenditures | - | (9,405) | 10,736 | 77,659 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 26,828 | 88,668 |
| Transfers out | - | - | - | (79,240) |
| Total other financing sources (uses) | - | - | 26,828 | 9,428 |
| Net change in fund balances | - | (9,405) | 37,564 | 87,087 |
| Fund balances, beginning of year | - | 126,548 | 43,684 | 366,759 |
| Fund balances, end of year | \$ - | \$ 117,143 | \$ 81,248 | \$ 453,846 |



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fellsmere, Florida, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Fellsmere, Florida's basic financial statements, and have issued our report thereon dated February 9, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fellsmere, Florida'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 the City of Fellsmere, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fellsmere, Florida'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 weakness or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida
February 9, 2021



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INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Fellsmere, Florida as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated February 9, 2021.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent 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, which are dated February 9, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Prior Year Internal Control Findings

IC 2019-001 Reconciliation of Fund Balances

Repeated

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 had the following recommendation:

Finding 2019-001 RECONCILIATION OF FUND BALANCES

Condition: The beginning fund balances of two funds were found not to be in agreement with the prior year audited financial statements' ending balances.

Criteria: Accounting policies and procedures should be in place to ascertain that all of the City's opening fund balances are in agreement with the prior year audited financial statements.

Cause: One late invoice was recorded in the prior year, and one entry to track assignments was improperly recorded in the general and community development funds.

Effect: Although the aggregate differences were immaterial, fund balance has to reconcile for financial statement presentation.

Recommendation: We recommend that management review the adjusted balances of all general ledger accounts and compare them to the audited financial statements to ascertain that they are in complete agreement. Any differences should be reconciled and adjusted timely to prevent misstatements from being carried to future periods.

Management's Response

We will ensure that the final audited trial balance is used to adjust the City's trial balance for the fiscal year.

Finding 2020-001 REVENUES

Condition: Two months of revenue were accrued as a receivable for motor fuel tax revenue when only one should have been.

Criteria: Revenue and receivables should be recorded when it is received during the period of availability.

Cause: The City anticipated that they would receive more revenue than actually received.

Effect: Revenue and receivables were overstated by \$5,081.

Recommendation: When actual revenue and receivables received is different than anticipated. An adjustment should be recorded to reflect the actual receipts.

Management's Response

With the State reducing the amount shared with the City in motor fuel tax due to COVID-19, there was a new normal that was different than anticipated. It was challenging in 2020 to determine for certain how many payments from the State were for the 2020 fiscal year. Management will do a better job of verifying revenue in subsequent years.

Finding 2020-002 COMPENSATED ABSENCES

Condition: Compensated absences were not reduced for a terminated employee causing the account to be overstated.

Criteria: Liquidation of terminated employees' compensated absences should be recorded as a reduction to compensated absences liability.

Cause: The City properly excluded the terminated employee from the schedule of compensated absences as of September 30, 2020; however, the balance was not adjusted to match the schedule.

Effect: Compensated balances was overstated by \$8,591.

Recommendation: The compensated absences schedule should be reconciled to the balances in the enterprise funds and adjusted as necessary.

Management's Response

Since we are small, this was the first time we had an employee who terminated from service in an Enterprise fund. Should that happen in the future, management will know how to handle the compensated absences tracking.

Finding 2020-003 FIXED ASSETS

Condition: Capital asset additions on the listing of additions didn't reconcile to capital outlay in the general ledger.

Criteria: Capital outlay should reconcile to the capital additions for the governmental funds.

Cause: Retainage for construction in progress was not properly included on the schedule of fixed asset additions.

Effect: Capital assets to be recorded in the government wide financial statements was understated

Recommendation: The City should reconcile capital outlay to fixed asset additions to ensure that all assets are properly recorded.

Management's Response

We will ensure that the General Ledger and the fixed assets roll forward agree for each individual project in the future.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

Cary Riggs & Ingram, L.L.C.

Melbourne, Florida

February 9, 2021



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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's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020. Management of the City of Fellsmere is responsible for the City of Fellsmere's compliance with the specified requirements. Our responsibility is to express an opinion on the City of Fellsmere's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City of Fellsmere complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020.

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

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

Melbourne, Florida
February 9, 2021

AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Putnam Moreman, CPA, CGFM, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of **the City of Fellsmere, which** is a local governmental entity of the State of Florida;
2. The City of Fellsmere adopted (Ordinance No. **2012-19 & 2015-13 on 9-20-2012 and 10-1-2015, respectively**) implementing an impact fee; and
3. The City of Fellsmere has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

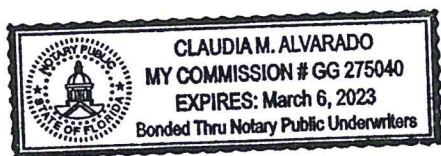
FURTHER AFFIANT SAYETH NAUGHT.

Putnam Moreman

(Chief Financial Officer of the Entity)

STATE OF FLORIDA
COUNTY OF Indian River

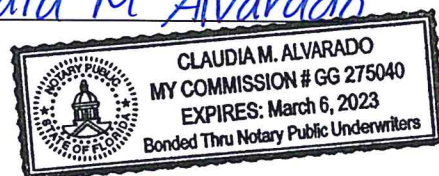
SWORN TO AND SUBSCRIBED before me this 3rd day of February, 2021.



Claudia M Alvarado

NOTARY PUBLIC

Print Name Claudia M Alvarado



Personally known or produced identification _____

Type of identification produced: _____

My Commission Expires:

3/6/2023