



City of Fellsmere, Florida
FINANCIAL STATEMENTS
Year Ended September 30, 2021



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RIGGS &
INGRAM

CPAs and Advisors

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**City of Fellsmere, Florida
City Officials
Year ended September 30, 2021**

Joel Tyson
Mayor

Fernando Herrera
Vice Mayor

Inocensia Hernandez
Gerald Renick
Jessica Salgado
Council Members

Warren W. Dill
City Attorney

Mark D. Mathes, P.E.
City Manager

Maria Suarez-Sanchez
City Clerk

Putnam Moreman, CPA, CGFM
Director of Finance and Accounting

Keith M. Touchberry
Chief of Police

Andy Shelton
Public Works Director

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INDEPENDENT AUDITORS' REPORT

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, 2021, 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 auditors' 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 auditors consider 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, 2021, 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 and additional information required by the Rules of the Auditor General and Florida Statutes Section 10.554(1)(i)6-8, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The additional information required by the Rules of the Auditor General and Florida Statutes Section 10.554(1)(i)6-8 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022 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, Florida'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.

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

Melbourne, Florida
March 1, 2022

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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, 2021:

Financial Highlights

- The City's assets exceeded its liabilities at the close of the fiscal year 2021 by \$26,917,746 (net position). The City's unrestricted net position (which may be used to meet the City's ongoing obligations to citizens and creditors) amounted to \$2,577,496.
- The City's total net position increased by \$753,687, resulting from an increase of \$599,136 from Governmental activities and an increase of \$154,551 from Business-type activities. Unrestricted General Fund balance increased to \$1,232,692 from \$1,038,943, and combined ending Governmental fund balances totaled \$1,913,258, an increase of \$875,871 from the previous year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,232,692 or 92.1% of the total general fund balance.
- General fund revenue increased by \$152,231 or 6.6% and expenditures increased by \$77,619 or 3.0%. The increase in revenues is attributable to a larger amount of State tourist related revenue sharing accounts, as we experienced a little bit of a return to normal in our tourism driven economy. We held the line on expenditures in the 2020 fiscal year, but with the inflow of unexpectedly higher State tourist related revenues, allowed our departments to spend some of their budgeted expenditures in 2021. Still, with COVID-19 still a concern, we encourage our Directors and staff to be prudent in their spending.
- The City reduced its external debt by \$59,388 during the 2021 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. An initial denial was issued on the mitigation request based on records from 2005 that FEMA thought provided proof that

City of Fellsmere, Florida Management's Discussion and Analysis

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

- Initially, 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 in 2020, but will recoup that in 2022. In 2021, through the CARES Act, the City received, as a pass-through from the Federal government, through the County, \$343,710 in funds that were used to enhance City Hall and the Public Works/Police Department Buildings for COVID safety. Funds were also spent to modernize our Council Chambers technology, so we could hold meetings remotely.

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 25 through 27 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, CDBG fund, and ARPA Fund, all of which are considered to be major funds. Data from several other governmental funds are combined into a single, aggregated presentation. Individual fund data for each non-major governmental fund is provided in the form of combining statements.

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

The basic governmental fund financial statements can be found on pages 28 through 38 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 40 through 47 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 49 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 \$26,917,746 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 3,719,631	\$ 1,379,307	\$ 2,768,427	\$ 2,448,036	\$ 6,488,058	\$ 3,827,343
Capital assets, net	19,660,190	19,904,850	6,499,476	6,702,854	26,159,666	26,607,704
Total assets	<u>23,379,821</u>	<u>21,284,157</u>	<u>9,267,903</u>	<u>9,150,890</u>	<u>32,647,724</u>	<u>30,435,047</u>
Liabilities:						
Noncurrent liabilities	2,454,137	2,422,062	1,116,191	1,119,400	3,570,328	3,541,462
Other liabilities	1,806,373	341,920	337,369	370,951	2,143,742	712,871
Total liabilities	<u>4,260,510</u>	<u>2,763,982</u>	<u>1,453,560</u>	<u>1,490,351</u>	<u>5,714,070</u>	<u>4,254,333</u>
Deferred inflows of resources:						
Deferred revenue - business tax receipts	-	-	15,908	16,655	15,908	16,655
	<u>-</u>	<u>-</u>	<u>15,908</u>	<u>16,655</u>	<u>15,908</u>	<u>16,655</u>
Net position:						
Net investment in capital assets	17,273,200	17,509,608	5,385,917	5,514,801	22,659,117	23,024,409
Restricted	575,777	412,244	1,105,356	815,813	1,681,133	1,228,057
Unrestricted	1,270,334	598,323	1,307,162	1,313,270	2,577,496	1,911,593
Total net position	<u>\$ 19,119,311</u>	<u>\$ 18,520,175</u>	<u>\$ 7,798,435</u>	<u>\$ 7,643,884</u>	<u>\$ 26,917,746</u>	<u>\$ 26,164,059</u>

A substantial portion of the City's net position (84%) reflects its investment in capital assets (i.e., land, buildings, other improvements, infrastructure improvements, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

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

City of Fellsmere, Florida
Management's Discussion and Analysis

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

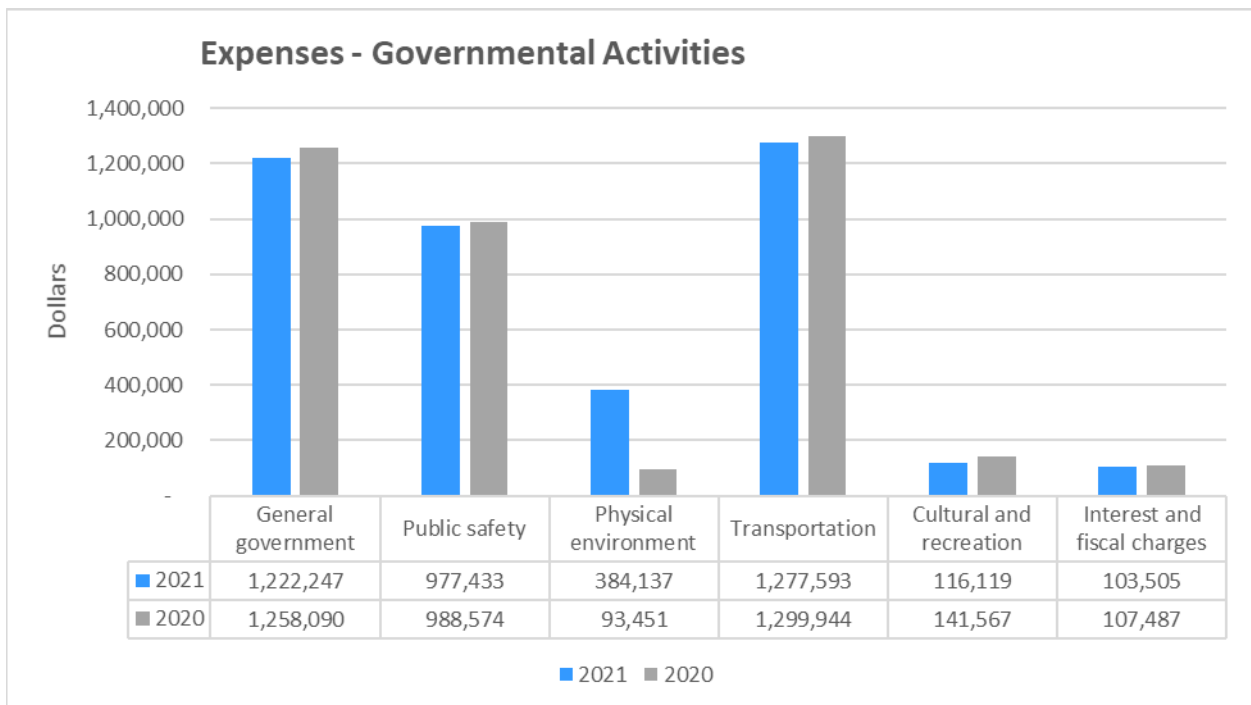
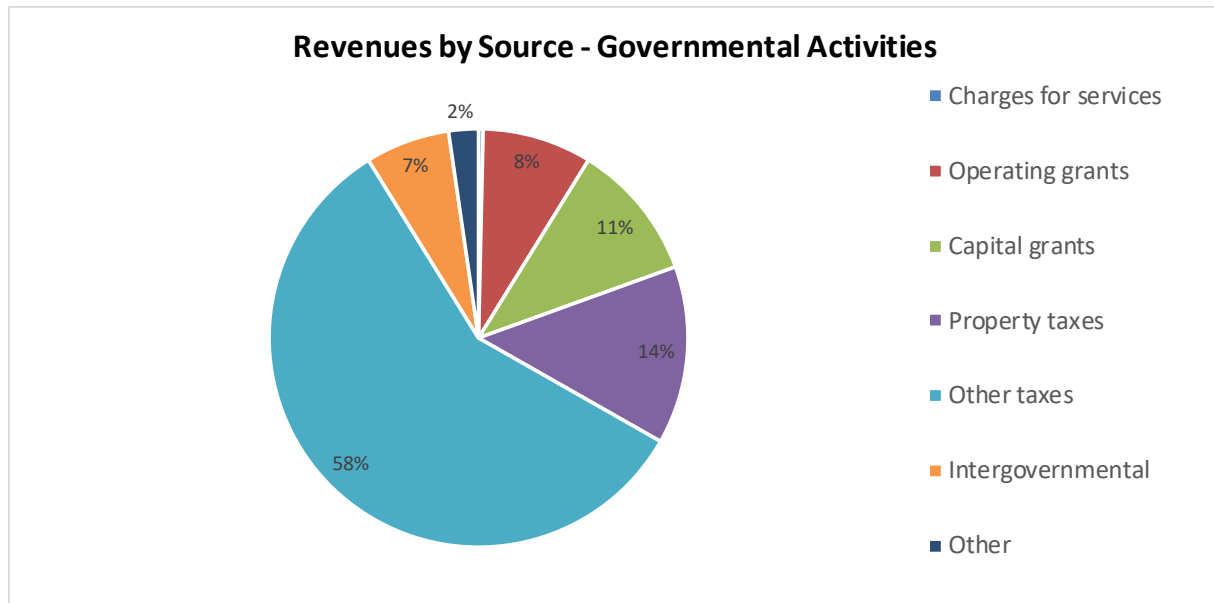
	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 15,603	\$ 9,087	\$ 1,661,634	\$ 1,731,118	\$ 1,677,237	\$ 1,740,205
Operating grants	371,036	589,526	-	-	371,036	589,526
Capital grants	468,707	-	-	-	468,707	-
General revenues:						
Property taxes	604,352	571,139	-	-	604,352	571,139
Other taxes*	2,545,268	2,285,583	-	-	2,545,268	2,285,583
Intergovernmental	286,141	220,697	-	-	286,141	220,697
Other	100,847	155,739	115,223	135,934	216,070	291,673
Total revenues	<u>4,391,954</u>	<u>3,831,771</u>	<u>1,776,857</u>	<u>1,867,052</u>	<u>6,168,811</u>	<u>5,698,823</u>
Expenses:						
General government	1,222,247	1,258,090	-	-	1,222,247	1,258,090
Public safety	977,433	988,574	-	-	977,433	988,574
Physical environment	384,137	93,451	-	-	384,137	93,451
Transportation	1,277,593	1,299,944	-	-	1,277,593	1,299,944
Cultural and recreation	116,119	141,567	-	-	116,119	141,567
Interest and fiscal charges	103,505	107,487	-	-	103,505	107,487
Water & Wastewater	-	-	1,031,366	1,030,589	1,031,366	1,030,589
Community development	-	-	274,538	250,917	274,538	250,917
Stormwater system	-	-	28,186	20,000	28,186	20,000
Total expenses	<u>4,081,034</u>	<u>3,889,113</u>	<u>1,334,090</u>	<u>1,301,506</u>	<u>5,415,124</u>	<u>5,190,619</u>
Change in net position, before transfers:	310,920	(57,342)	442,767	565,546	753,687	508,204
Transfers	288,216	254,736	(288,216)	(254,736)	-	-
Change in net position	<u>599,136</u>	<u>197,394</u>	<u>154,551</u>	<u>310,810</u>	<u>753,687</u>	<u>508,204</u>
Net position -beginning of year	18,520,175	18,322,781	7,643,884	7,333,074	26,164,059	25,655,855
Net position - ending	<u>\$ 19,119,311</u>	<u>\$ 18,520,175</u>	<u>\$ 7,798,435</u>	<u>\$ 7,643,884</u>	<u>\$ 26,917,746</u>	<u>\$ 26,164,059</u>

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

City of Fellsmere, Florida Management's Discussion and Analysis

Governmental activities. Governmental activities increased the City's net position by \$599,136. Key elements of this increase is as follows:

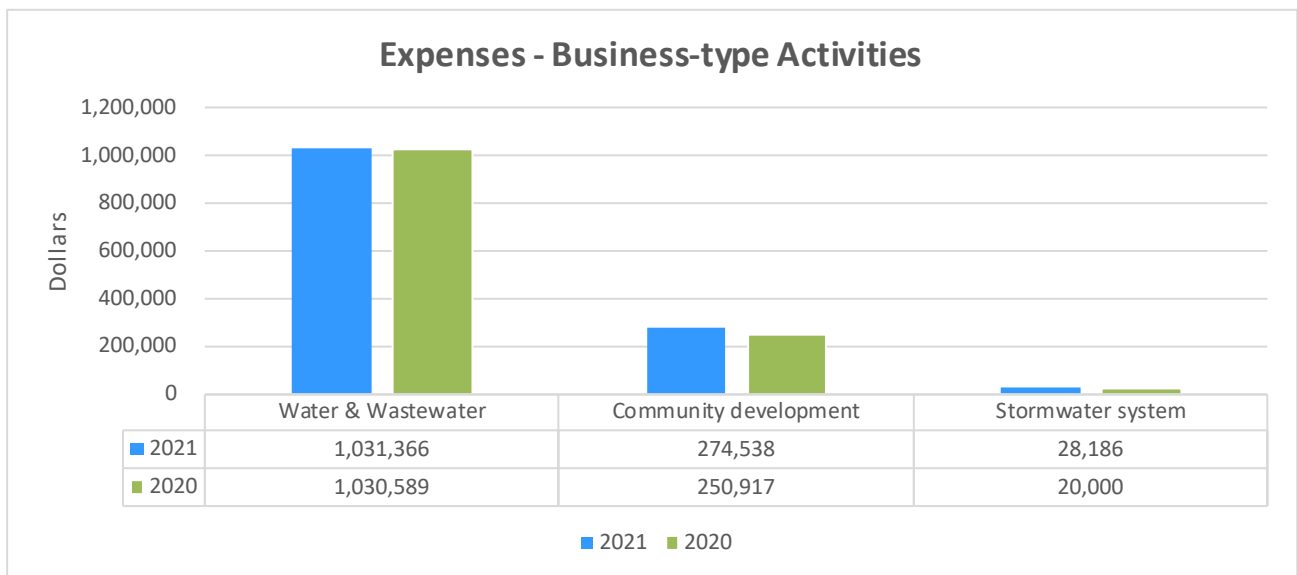
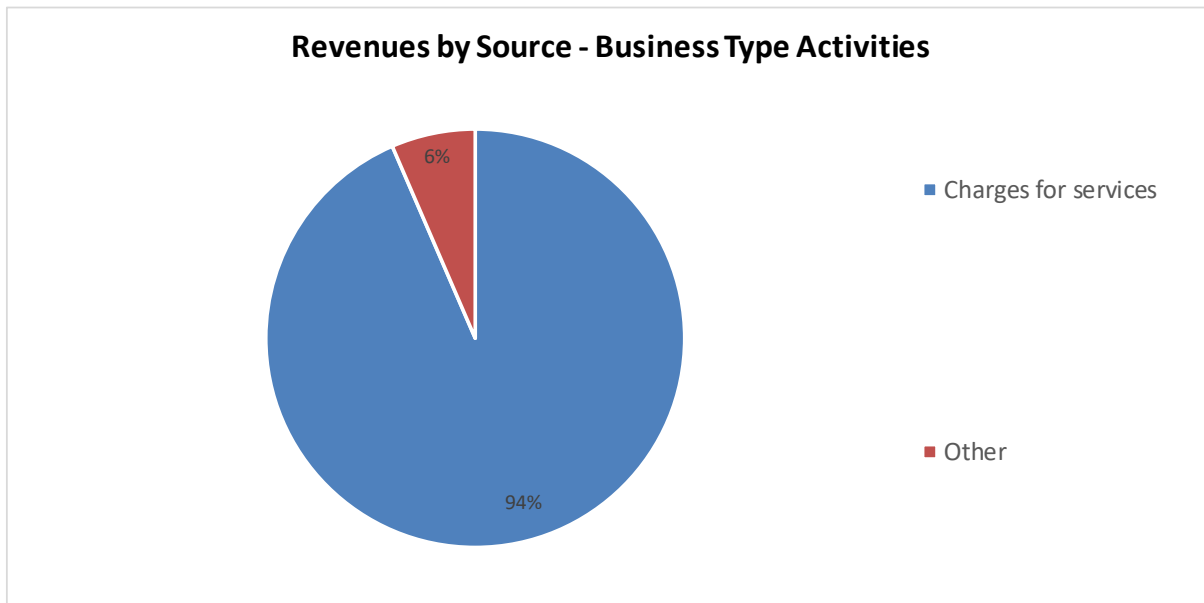
- Total expenses increased by \$191,921 or 4.9% for the year. This is less than the 5.8% increase in 2020.
- Operating grants decreased by \$218,490 or (37.1)%. The decrease is due to the conscious decision to slow down our grant spending due to the uncertainty of COVID-19 funding, and our need to replenish our Infrastructure Fund balance.
- Property and other taxes increased \$292,898 or 10.3%, due to the improved real estate values in the County, and a strong rebound for tourism in the State in 2021.
- This year we had Capital Grants totaling \$468,707.



City of Fellsmere, Florida Management's Discussion and Analysis

Business-type activities. Business-type activities increased the City’s net position by \$154,551. Key elements of this increase are as follows:

- There were no operating grants received this fiscal year.
- Rate increases were implemented for Water and Wastewater and Stormwater to bring the rates more in line with a recent rate study. Still, overall charges for services dropped in 2021 versus 2020. Meanwhile, expenses rose slightly. Overall, a change in how we budgeted transfers between Water, Wastewater, Community Development and Stormwater led to a significant decrease in transfers in 2021.



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 \$1,913,258, an increase of \$875,871 in comparison with the prior year. An amount of \$1,286,787 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. After several years with a negative balance, the City has a positive balance in the Infrastructure Fund at year-end due to a conscious effort to slow down on grant spending, and a fortuitous series of delays due to contractor COVID-19 illnesses and other complications. The Infrastructure Fund replenishes with the 1% infrastructure sales tax.

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 \$1,232,692 while the total fund balance reached \$1,338,651. 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 46.6% of total general fund expenditures, while total fund balance represents 50.6% of that same amount. The fund balance of the City's General Fund increased by \$188,778 during the current fiscal year.

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

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the City's Water and Wastewater Fund, Community Development, and Stormwater Enterprise funds amounted to \$1,307,162. The total for unrestricted net position (deficit) for each of these funds was \$1,674,363, (\$550,541) and \$183,340, respectively. Other factors concerning the finances of these funds have previously been addressed in the discussion of the City's business-type activities.

City of Fellsmere, Florida
Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets. At the end of fiscal year 2021, the City had \$26,159,666 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 \$448,038, approximately 1.7% less than last year.

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

- Two new police vehicles and related equipment for \$112,700.
- One new administrative vehicle for \$16,561.
- Other equipment totaling \$69,635.
- Construction in progress totaling \$666,001.

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

- The City invested in land costs of \$26,605.
- The City capitalized the cost of \$9,316 for waterline and well expansion.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 6,976,913	\$ 6,984,393	\$ 399,266	\$ 372,661	\$ 7,376,179	\$ 7,357,054
Construction in progress	1,807,592	1,205,316	-	-	1,807,592	1,205,316
Buildings	2,567,166	2,843,372	-	-	2,567,166	2,843,372
Improvements other than buildings	766,600	770,163	-	-	766,600	770,163
Machinery and equipment	353,475	419,880	6,100,210	6,330,193	6,453,685	6,750,073
Infrastructure	7,188,444	7,681,726	-	-	7,188,444	7,681,726
Total capital assets, net	\$ 19,660,190	\$ 19,904,850	\$ 6,499,476	\$ 6,702,854	\$ 26,159,666	\$ 26,607,704

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

Long-term debt. At the end of the 2021 fiscal year, the City of Fellsmere had total outstanding debt of \$3,460,618 a decrease of \$59,388 from 2020.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Water revenue bond, 1993	\$ -	\$ -	\$ 911,000	\$ 967,000	\$ 911,000	\$ 967,000
Capital improvement revenue bond, 2008	2,247,875	2,331,953	-	-	2,247,875	2,331,953
Construction loans	-	-	202,559	221,053	202,559	221,053
Vehicles note	99,184	-	-	-	99,184	-
Total long-term debt	\$ 2,347,059	\$ 2,331,953	\$ 1,113,559	\$ 1,188,053	\$ 3,460,618	\$ 3,520,006

City of Fellsmere, Florida Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2021 budget, tax rates and fees that will be charged for business-type activities. One of these factors is the economy.

At the end of the 2020 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 2021 fiscal year. The millage rate for 2021 was raised to 5.3226 mills 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 2020-2021 fiscal year budget. A CPI 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 2021, Water increased by 7% and Wastewater by 8%. Until our next rate study, we anticipate CPI increases in Water, Wastewater and Stormwater going forward.

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, 2021</i>	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,965,223	\$ 1,266,425	\$ 4,231,648
Accounts receivable	45,253	202,509	247,762
Due from other governments	658,461	-	658,461
Inventories	-	13,600	13,600
Restricted cash and cash equivalents	-	1,274,985	1,274,985
Prepaid items	50,694	10,908	61,602
Capital assets:			
Nondepreciable			
Land	6,976,913	399,266	7,376,179
Construction in progress	1,807,592	-	1,807,592
Depreciable, net of accumulated depreciation			
Buildings	2,567,166	-	2,567,166
Improvements other than buildings	766,600	-	766,600
Machinery and equipment	353,475	6,100,210	6,453,685
Infrastructure	7,188,444	-	7,188,444
Total assets	23,379,821	9,267,903	32,647,724
LIABILITIES			
Accounts payable and accrued liabilities	270,767	54,695	325,462
Due to other governments	94,907	19,167	114,074
Unearned revenues	1,440,699	263,507	1,704,206
Noncurrent liabilities:			
Due within one year	127,249	78,781	206,030
Due in more than one year	2,326,888	1,037,410	3,364,298
Total liabilities	4,260,510	1,453,560	5,714,070
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - business tax revenue	-	15,908	15,908
Total deferred inflows of resources	-	15,908	15,908
NET POSITION			
Net investment in capital assets	17,273,200	5,385,917	22,659,117
Restricted for:			
Debt service	-	433,516	433,516
Renewal and replacement	-	671,840	671,840
Cemetery perpetual care	55,265	-	55,265
Capital projects	520,512	-	520,512
Unrestricted	1,270,334	1,307,162	2,577,496
Total net position	\$ 19,119,311	\$ 7,798,435	\$ 26,917,746

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

City of Fellsmere, Florida
Statement of Activities

Year Ended September 30, 2021

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary government			
Governmental activities:			
General government	\$ 1,222,247	\$ -	\$ 4,078
Public safety	977,433	3,353	23,248
Physical environment	384,137	12,250	343,710
Transportation	1,277,593	-	-
Culture and recreation	116,119	-	-
Interest and fiscal charges	103,505	-	-
Total governmental activities	4,081,034	15,603	371,036
Business-type activities:			
Water & Wastewater	1,031,366	1,326,744	-
Community development	274,538	202,306	-
Stormwater system	28,186	132,584	-
Total business-type activities	1,334,090	1,661,634	-
Total primary government	\$ 5,415,124	\$ 1,677,237	\$ 371,036

General revenues and transfers:

Taxes:

 Property

 Discretionary sales

 Local option gas tax

 Franchise

 Utility

 Communications services

 Eighth cent motor fuel

 Half cent sales

 Unrestricted investment earnings

 State shared revenue

 Miscellaneous

 Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expense) Revenue
and Changes in Net Position

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (1,218,169)	\$ -	\$ (1,218,169)
-	(950,832)	-	(950,832)
143,999	115,822	-	115,822
324,708	(952,885)	-	(952,885)
-	(116,119)	-	(116,119)
-	(103,505)	-	(103,505)
<u>468,707</u>	<u>(3,225,688)</u>	<u>-</u>	<u>(3,225,688)</u>
-	-	295,378	295,378
-	-	(72,232)	(72,232)
-	-	104,398	104,398
<u>-</u>	<u>-</u>	<u>327,544</u>	<u>327,544</u>
<u>\$ 468,707</u>	<u>(3,225,688)</u>	<u>327,544</u>	<u>(2,898,144)</u>
	604,352	-	604,352
	905,656	-	905,656
	183,544	-	183,544
	340,686	-	340,686
	452,946	-	452,946
	89,991	-	89,991
	79,171	-	79,171
	493,274	-	493,274
	1,319	1,924	3,243
	286,141	-	286,141
	99,528	113,299	212,827
	288,216	(288,216)	-
	<u>3,824,824</u>	<u>(172,993)</u>	<u>3,651,831</u>
	599,136	154,551	753,687
	18,520,175	7,643,884	26,164,059
	<u>\$ 19,119,311</u>	<u>\$ 7,798,435</u>	<u>\$ 26,917,746</u>

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

City of Fellsmere, Florida
Balance Sheet - Governmental Funds

<i>September 30, 2021</i>	General	Infrastructure
ASSETS		
Cash and cash equivalents	\$ 1,035,405	\$ -
Accounts receivable	45,253	-
Due from other funds	309,366	-
Due from other governments	123,529	160,065
Prepaid items	50,694	-
Total assets	\$ 1,564,247	\$ 160,065
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 50,210	\$ -
Accrued liabilities	79,979	-
Due to other funds	-	105,978
Due to other governments	94,907	-
Unearned revenues	500	-
Total current liabilities	225,596	105,978
Fund balances		
Nonspendable	50,694	-
Restricted	55,265	-
Unrestricted / unassigned (deficit)	1,232,692	54,087
Total fund balances	1,338,651	54,087
Total liabilities and fund balances	\$ 1,564,247	\$ 160,065

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

	CDBG	ARPA	Nonmajor Funds	Total Governmental Funds
\$	-	\$ 1,426,189	\$ 503,629	\$ 2,965,223
	-	-	-	45,253
	-	-	-	309,366
	234,225	-	140,642	658,461
	-	-	-	50,694
\$	234,225	\$ 1,426,189	\$ 644,271	\$ 4,028,997
\$	111,308	\$ -	\$ 29,270	\$ 190,788
	-	-	-	79,979
	122,917	-	80,471	309,366
	-	-	-	94,907
	-	1,426,181	14,018	1,440,699
\$	234,225	1,426,181	123,759	2,115,739
	-	-	-	50,694
	-	-	520,512	575,777
	-	8	-	1,286,787
\$	-	8	520,512	1,913,258
\$	234,225	\$ 1,426,189	\$ 644,271	\$ 4,028,997

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, 2021

Total fund balances - governmental funds	\$ 1,913,258
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,660,190
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.	(2,454,137)
Net position of governmental activities	\$ 19,119,311

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

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

<i>Year Ended September 30, 2021</i>	General	Infrastructure	CDBG
Revenues			
Taxes:			
Property	\$ 604,352	\$ -	\$ -
Public utility	452,946	-	-
Sales	-	905,656	-
Motor fuel	-	-	-
Communications services	89,991	-	-
Franchise fees	340,686	-	-
Intergovernmental	881,805	-	303,990
Charges for services	12,108	-	-
Fines	3,495	-	-
Investment earnings	1,154	276	-
Other revenues	75,276	-	-
Total revenues	2,461,813	905,932	303,990
Expenditures			
Current:			
General government	928,055	-	-
Public safety	937,138	-	-
Physical environment	-	-	-
Transportation	569,855	-	-
Culture and recreation	61,324	-	-
Debt service:			
Principal	-	84,078	-
Interest and fiscal charges	-	103,505	-
Capital outlay	150,444	-	409,843
Total expenditures	2,646,816	187,583	409,843
Excess (deficiency) of revenues over (under) expenditures	(185,003)	718,349	(105,853)
Other financing sources (uses)			
Transfers in	432,601	-	105,853
Transfers out	(70,644)	(197,114)	-
Loan proceeds	-	99,184	-
Proceeds from sale of capital assets	11,824	-	-
Total other financing sources (uses)	373,781	(97,930)	105,853
Net change in fund balances	188,778	620,419	-
Fund balances (deficit), beginning of year	1,149,873	(566,332)	-
Fund balances (deficit), end of year	\$ 1,338,651	\$ 54,087	\$ -

	ARPA	Nonmajor Funds	Total Governmental Funds
\$	-	\$ -	\$ 604,352
	-	-	452,946
	-	-	905,656
	-	183,544	183,544
	-	-	89,991
	-	-	340,686
	-	512,505	1,698,300
	-	-	12,108
	-	-	3,495
	8	-	1,438
	-	19,999	95,275
	8	716,048	4,387,791
	-	6,018	934,073
	-	-	937,138
	-	309,898	309,898
	-	46,374	616,229
	-	-	61,324
	-	-	84,078
	-	-	103,505
	-	304,612	864,899
	-	666,902	3,911,144
	8	49,146	476,647
	-	117,901	656,355
	-	(100,381)	(368,139)
	-	-	99,184
	-	-	11,824
	-	17,520	399,224
	8	66,666	875,871
	-	453,846	1,037,387
\$	8	\$ 520,512	\$ 1,913,258

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, 2021

Net change in fund balances - total governmental funds	\$	875,871
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Expenditures for capital assets	\$	864,899
Less: current year depreciation	<u>(1,102,079)</u>	(237,180)
<p>In the statement of activities, only the gain (loss) on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets.</p>		
		(7,480)
<p>Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.</p>		
		(99,184)
<p>Repayment of bond principal and loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the principal payments on the long-term debt.</p>		
		84,078
<p>Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(16,969)
Change in net position of governmental activities	\$	599,136

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, 2021</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Property	\$ 593,452	\$ 593,452	\$ 604,352	\$ 10,900
Public utility	456,000	456,000	452,946	(3,054)
Communications services	59,370	59,370	89,991	30,621
Franchise fees	356,413	356,413	340,686	(15,727)
Intergovernmental	680,079	680,079	881,805	201,726
Charges for services	8,000	8,000	12,108	4,108
Fines	3,300	3,300	3,495	195
Investment earnings	3,300	3,300	1,154	(2,146)
Other revenues	129,161	129,161	75,276	(53,885)
Total revenues	2,289,075	2,289,075	2,461,813	172,738
Expenditures				
Current:				
General government	1,234,058	1,242,432	928,055	314,377
Public safety	1,060,915	1,060,915	937,138	123,777
Transportation	652,483	652,483	569,855	82,628
Culture and recreation	96,903	96,903	61,324	35,579
Capital outlay	-	-	150,444	(150,444)
Total expenditures	3,044,359	3,052,733	2,646,816	405,917
Excess (deficiency) of revenues over (under) expenditures	(755,284)	(763,658)	(185,003)	578,655
Other financing sources (uses)				
Transfers in	429,231	437,605	432,601	(5,004)
Transfers out	(62,000)	(62,000)	(70,644)	(8,644)
Proceeds from sale of capital assets	-	-	11,824	11,824
Total other financing sources (uses)	367,231	375,605	373,781	(1,824)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(388,053)	(388,053)	188,778	576,831
Fund balances, beginning of year	1,149,873	1,149,873	1,149,873	-
Fund balances, end of year	\$ 761,820	\$ 761,820	\$ 1,338,651	\$ 576,831

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, 2021</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Sales	\$ 738,982	\$ 943,982	\$ 905,656	\$ (38,326)
Investment earnings and other revenue	-	-	276	276
Total revenues	738,982	943,982	905,932	(38,050)
Expenditures				
Current:				
General government	-	-	-	-
Debt service:				
Principal	84,078	84,078	84,078	-
Interest and fiscal charges	103,590	103,590	103,505	85
Capital outlay	105,305	105,305	-	105,305
Total expenditures	292,973	292,973	187,583	105,390
Excess of revenues over expenditures	446,009	651,009	718,349	67,340
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(446,009)	(651,009)	(197,114)	453,895
Loan proceeds	-	-	99,184	99,184
Total other financing sources (uses)	(446,009)	(651,009)	(97,930)	553,079
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	620,419	620,419
Fund balances (deficits), beginning of year	(566,332)	(566,332)	(566,332)	-
Fund balances (deficits), end of year	\$ (566,332)	(566,332)	\$ 54,087	\$ 620,419

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 – CDBG Fund

<i>Year Ended September 30, 2021</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 303,990	\$ (46,010)
Total revenues	350,000	350,000	303,990	(46,010)
Expenditures				
Capital outlay	390,000	420,000	409,843	10,157
Total expenditures	390,000	420,000	409,843	10,157
Deficiency of revenues under expenditures	(40,000)	(70,000)	(105,853)	(35,853)
Other financing sources (uses)				
Transfers in	40,000	70,000	105,853	35,853
Transfers out	-	-	-	-
Total other financing sources (uses)	40,000	70,000	105,853	35,853
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

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

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

<i>Year Ended September 30, 2021</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Investment earnings	\$ -	\$ -	\$ 8	\$ 8
Total revenues	-	-	8	8
Expenditures				
Current:				
General government	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	8	8
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	8	8
Fund balances (deficits), beginning of year	-	-	-	-
Fund balances (deficits), end of year	\$ -	\$ -	\$ 8	\$ 8

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

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

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

<i>September 30, 2021</i>	Water & Wastewater	Community Development
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,109,887	\$ 1,100
Restricted cash and cash equivalents	1,274,985	-
Accounts receivable	120,190	53,486
Due from other funds	458,378	-
Inventories	13,600	-
Prepaid items	10,287	621
Total current assets	2,987,327	55,207
Noncurrent assets:		
Capital assets:		
Land	324,564	37,860
Machinery and equipment	9,665,337	24,490
Less accumulated depreciation	(3,619,654)	(23,788)
Total capital assets, net of accumulated depreciation	6,370,247	38,562
Total noncurrent assets	6,370,247	38,562
Total assets	9,357,574	93,769
LIABILITIES		
Current liabilities:		
Accounts payable	14,978	19,557
Accrued liabilities	14,246	4,983
Due to other funds	-	458,378
Due to other governmental units	-	19,167
Unearned revenues	176,778	86,729
Current portion of accrued compensated absences	482	308
Current portion of long-term debt	77,991	-
Total current liabilities	284,475	589,122
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	1,124	718
Long-term debt, net of current portion	1,035,568	-
Total noncurrent liabilities	1,036,692	718
Total liabilities	1,321,167	589,840
DEFERRED INFLOW OF RESOURCES		
Deferred revenue - business tax receipts	-	15,908
Total deferred inflow of resources	-	15,908
NET POSITION (DEFICIT)		
Net investment in capital assets	5,256,688	38,562
Restricted for:		
Debt service	433,516	-
Renewal and replacement	671,840	-
Unrestricted (deficit)	1,674,363	(550,541)
Total net position (deficit)	\$ 8,036,407	\$ (511,979)

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

Stormwater System - Nonmajor fund		Total	
\$ 155,438	\$	1,266,425	
-		1,274,985	
28,833		202,509	
-		458,378	
-		13,600	
-		10,908	
184,271		3,226,805	
36,842		399,266	
68,026		9,757,853	
(14,201)		(3,657,643)	
90,667		6,499,476	
90,667		6,499,476	
274,938		9,726,281	
931		35,466	
-		19,229	
-		458,378	
-		19,167	
-		263,507	
-		790	
-		77,991	
931		874,528	
-		1,842	
-		1,035,568	
-		1,037,410	
931		1,911,938	
-		15,908	
-		15,908	
90,667		5,385,917	
-		433,516	
-		671,840	
183,340		1,307,162	
\$ 274,007	\$	7,798,435	

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, 2021</i>	Water & Wastewater	Community Development
Operating revenues:		
Charges for services	\$ 1,326,744	\$ -
Building permits, licenses and fees	-	202,306
Other revenues	65,120	48,162
Total operating revenues	1,391,864	250,468
Operating expenses:		
Salaries, wages and employee benefits	182,940	80,611
Contractual services, materials and supplies	564,955	193,664
Depreciation	234,430	263
Total operating expenses	982,325	274,538
Operating income (loss)	409,539	(24,070)
Nonoperating revenues (expenses):		
Interest income	1,611	313
Interest expense	(49,041)	-
Total nonoperating revenues (expenses)	(47,430)	313
Income (loss) before transfers and capital contributions	362,109	(23,757)
Transfers		
Transfers in	-	47,772
Transfers out	(250,992)	(39,996)
Total transfers	(250,992)	7,776
Change in net position	111,117	(15,981)
Net position (deficit), beginning of year	7,925,290	(495,998)
Net position (deficit), end of year	\$ 8,036,407	\$ (511,979)

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

Stormwater System - Nonmajor fund		Total
\$	132,584	\$ 1,459,328
	-	202,306
	17	113,299
	<u>132,601</u>	<u>1,774,933</u>
	-	263,551
	23,580	782,199
	4,606	239,299
	<u>28,186</u>	<u>1,285,049</u>
	<u>104,415</u>	<u>489,884</u>
	-	1,924
	-	(49,041)
	-	(47,117)
	<u>104,415</u>	<u>442,767</u>
	-	47,772
	(45,000)	(335,988)
	<u>(45,000)</u>	<u>(288,216)</u>
	59,415	154,551
	214,592	7,643,884
\$	<u>274,007</u>	\$ <u>7,798,435</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, 2021</i>	Water & Wastewater	Community Development
Cash flows from operating activities:		
Cash received from customers for sales and services	\$ 1,404,822	\$ 322,544
Internal activity - payments (receipts) from other funds	337,622	(50,622)
Cash payments to employees	(121,466)	(64,390)
Cash payments to suppliers for goods and services	(651,851)	(216,846)
Net cash provided by (used in) operating activities	969,127	(9,314)
Cash flows from noncapital financing activities:		
Transfers from other funds	-	47,772
Transfers to other funds	(250,992)	(39,996)
Net cash provided by (used in) noncapital financing activities	(250,992)	7,776
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(9,316)	-
Principal paid on long-term debt	(74,494)	-
Interest paid on long-term debt	(49,255)	-
Net cash used in capital and related financing activities	(133,065)	-
Cash flows from investing activities:		
Interest on investments	1,611	313
Net cash provided by investing activities	1,611	313
Net increase (decrease) in cash and cash equivalents	586,681	(1,225)
Cash and cash equivalents, beginning of year	1,798,191	2,325
Cash and cash equivalents, end of year	\$ 2,384,872	\$ 1,100
Classified on the statement of net position as:		
Current assets:		
Cash and cash equivalents	\$ 1,109,887	\$ 1,100
Restricted cash and cash equivalents	1,274,985	-
	\$ 2,384,872	\$ 1,100

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

Stormwater System - Nonmajor fund		Total
\$ 127,634	\$ 1,855,000	
-	287,000	
-	(185,856)	
(22,649)	(891,346)	
<u>104,985</u>	<u>1,064,798</u>	
-	47,772	
(45,000)	(335,988)	
<u>(45,000)</u>	<u>(288,216)</u>	
(26,605)	(35,921)	
-	(74,494)	
-	(49,255)	
<u>(26,605)</u>	<u>(159,670)</u>	
-	1,924	
-	1,924	
33,380	618,836	
<u>122,058</u>	<u>1,922,574</u>	
<u>\$ 155,438</u>	<u>\$ 2,541,410</u>	
\$ 155,438	\$ 1,266,425	
-	1,274,985	
<u>\$ 155,438</u>	<u>\$ 2,541,410</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, 2021</i>	Water & Wastewater	Community Development
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 409,539	\$ (24,070)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	234,430	263
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	1,955	13,798
Due from other funds	337,622	-
Inventories	757	-
Prepaid items	249	(347)
Increase (decrease) in liabilities:		
Accounts payable	(20,101)	(3,254)
Accrued liabilities	(313)	(3,659)
Due to other funds	-	(50,622)
Due to other governmental units	-	17,693
Accrued compensated absences	(6,014)	299
Unearned revenues	11,003	41,332
Deferred inflows - business tax receipts	-	(747)
Total adjustments	559,588	14,756
Net cash provided by (used in) operating activities	\$ 969,127	\$ (9,314)

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

Stormwater System - Nonmajor fund	Total
<u>\$ 104,415</u>	<u>\$ 489,884</u>
4,606	239,299
(4,967)	10,786
-	337,622
-	757
-	(98)
931	(22,424)
-	(3,972)
-	(50,622)
-	17,693
-	(5,715)
-	52,335
-	(747)
<u>570</u>	<u>574,914</u>
<u>\$ 104,985</u>	<u>\$ 1,064,798</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.

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

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City 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 primary government’s operations and as such, data from these units are combined with data of the primary government. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The City reported no discretely presented component units for the year ended September 30, 2021.

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. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The *Community Development Block Grant (CDBG) Fund* accounts for the financial resources used for projects utilizing CDBG grant funds.

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following nonmajor fund types:

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

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

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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity

1. Cash and Cash Equivalents

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

2. 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, 2021.

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 Activities and Transactions

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

3. Interfund Activities and Transactions (Continued)

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

4. Accounts Receivable

Accounts receivable consist of trade receivables. The City has no allowance for doubtful accounts as of September 30, 2021, as all receivables are considered collectible.

5. Inventories and Prepaid Items

Inventory at September 30, 2021 consisted of various parts, materials, and supplies on hand in connection with the water system. This inventory is stated at cost, determined by the first-in, first-out (FIFO) method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Costs are recorded as expenditures or expenses when consumed rather than when purchased. Prepaid items consist of prepaid insurance at September 30, 2021.

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 net position, qualified expenses are considered to be paid first from restricted net position, then from unrestricted net position.

7. Capital Assets

Capital assets, which include property, plant, equipment 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (continued)

7. Capital Assets (continued)

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.

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. Unearned revenue primarily consists of amounts received in relation to the American Rescue Plan Act.

9. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenues in governmental funds and resources received before time requirements were met are deferred inflows of resources. As of September 30, 2021, there were no amounts reported as deferred inflows in the governmental funds. As of September 30, 2021, there was \$15,908 reported as deferred inflows for business tax receipts in the proprietary funds.

10. Compensated Absences

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (continued)

10. Compensated Absences (continued)

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

11. Long-term Obligations

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

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

12. 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (continued)

12. Fund Equity (continued)

At September 30, 2021, the Community Development fund had a net deficit balance of \$511,979.

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.

14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 1, 2022, 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.

Note 2: BUDGETARY INFORMATION (Continued)

There were no differences between both bases of presentation during the fiscal year ended September 30, 2021. Appropriations, except open project appropriations, lapse at the end of each fiscal year.

The appropriated budget is prepared by fund, function, and department. Shifts in appropriations within fund totals may be done on the authority of the City Manager. Transfers of appropriations between funds require approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations made by the City Council) is the fund level. Budget adjustments made during the year ended September 30, 2021 were approved by the City Council.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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, 2021.

At September 30, 2021, the carrying amount of the City's deposits with banks was \$5,505,883 and the bank balance was \$5,701,755. 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 depository, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

Restricted cash in the Enterprise Funds at September 30, 2021 consists of unspent water and wastewater system impact fees and interest earned on these funds of \$841,469. 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 \$433,516.

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

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

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

Credit risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations.

Concentration risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investments pools and other pooled investments. The City did not have any investments at September 30, 2021.

B. Interfund receivables and payables and transfers

The composition of interfund balances as of September 30, 2021, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 309,366	\$ -
Infrastructure fund	-	105,978
Nonmajor funds	-	80,471
CDBG fund	-	122,917
Water & Wastewater fund	458,378	-
Community development fund	-	458,378
Total	\$ 767,744	\$ 767,744

The Community Development fund required funding from the Water & Wastewater fund to support operations. The Infrastructure, nonmajor, and CDBG funds required funding from the General fund to support operations, as receipts had not yet been received from other governments.

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, 2021, interfund transfers consisted of the following:

Transfers Out	Transfers In				Totals
	General fund	CDBG fund	Nonmajor governmental funds	Community development fund	
General fund	\$ -	\$ -	\$ 26,640	\$ 44,004	\$ 70,644
Infrastructure fund	-	105,853	91,261	-	197,114
Nonmajor governmental funds	100,381	-	-	-	100,381
Water & Wastewater fund	248,820	-	-	2,172	250,992
Community development fund	39,996	-	-	-	39,996
Stormwater system - nonmajor proprietary fund	43,404	-	-	1,596	45,000
Totals	\$ 432,601	\$ 105,853	\$ 117,901	\$ 47,772	\$ 704,127

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, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,984,393	\$ -	\$ (7,480)	\$ 6,976,913
Construction in progress	1,205,316	666,001	(63,725)	1,807,592
Total capital assets, not being depreciated	8,189,709	666,001	(71,205)	8,784,505
Capital assets, being depreciated:				
Buildings	5,948,297	-	-	5,948,297
Improvements other than buildings	3,528,601	5,280	-	3,533,881
Machinery and equipment	1,958,188	193,618	(39,460)	2,112,346
Infrastructure	13,650,795	63,725	-	13,714,520
Total capital assets, being depreciated	25,085,881	262,623	(39,460)	25,309,044
Less accumulated depreciation for:				
Buildings	(3,104,925)	(276,206)	-	(3,381,131)
Improvements other than buildings	(2,758,438)	(8,843)	-	(2,767,281)
Machinery and equipment	(1,538,308)	(260,023)	39,460	(1,758,871)
Infrastructure	(5,969,069)	(557,007)	-	(6,526,076)
Total accumulated depreciation	(13,370,740)	(1,102,079)	39,460	(14,433,359)
Total capital assets, being depreciated, net	11,715,141	(839,456)	-	10,875,685
Governmental activities capital assets, net	\$ 19,904,850	\$ (173,455)	\$ (71,205)	\$ 19,660,190

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 372,661	\$ 26,605	\$ -	\$ 399,266
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	372,661	26,605	-	399,266
Capital assets, being depreciated:				
Water plant	2,890,855	-	-	2,890,855
Water lines	4,068,907	9,316	-	4,078,223
Water tank	408,813	-	-	408,813
Vehicle and equipment	72,222	-	-	72,222
Equipment	24,490	-	-	24,490
Wastewater lines	2,215,224	-	-	2,215,224
Stormwater equipment	68,026	-	-	68,026
Total capital assets, being depreciated	9,748,537	9,316	-	9,757,853
Less accumulated depreciation for:				
Water plant	(767,219)	(60,068)	-	(827,287)
Water lines	(1,646,980)	(120,626)	-	(1,767,606)
Water tank	(204,494)	(7,242)	-	(211,736)
Vehicle and equipment	(72,298)	-	-	(72,298)
Equipment	(23,525)	(263)	-	(23,788)
Wastewater lines	(694,233)	(46,494)	-	(740,727)
Stormwater equipment	(9,595)	(4,606)	-	(14,201)
Total accumulated depreciation	(3,418,344)	(239,299)	-	(3,657,643)
Total capital assets, being depreciated, net	6,330,193	(229,983)	-	6,100,210
Business-type activities capital assets, net	\$ 6,702,854	\$ (203,378)	\$ -	\$ 6,499,476

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	\$ 264,468
Public safety	47,032
Transportation	735,784
Culture and recreation	54,795
Total depreciation expense - governmental activities	\$ 1,102,079
Business-type activities:	
Water & Wastewater	\$ 234,430
Community development	263
Stormwater	4,606
Total depreciation expense - business-type activities	\$ 239,299

D. Accounts payable and accrued liabilities

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 190,788	\$ 35,466
Accrued liabilities	79,979	19,229
Total payables	\$ 270,767	\$ 54,695

E. Construction Commitments

The City has active construction projects as of September 30, 2021. At year-end, the City's commitments with contractors are as follows:

CDBG Phase 7	\$ 359,163
South Regional Lake	545,649
TAP S. Broadway Sidewalk	290,930
Total outstanding commitments	\$ 1,195,742

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

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities

Long-term liability activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital improvement bond	\$ 2,331,953	\$ -	\$ (84,078)	\$ 2,247,875	\$ 87,940
Vehicles note	-	99,184	-	99,184	7,186
Compensated absences	90,109	58,983	(42,014)	107,078	32,123
Total governmental activities	\$ 2,422,062	\$ 158,167	\$ (126,092)	\$ 2,454,137	\$ 127,249

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bond	\$ 967,000	\$ -	\$ (56,000)	\$ 911,000	\$ 59,000
Construction loans	221,053	-	(18,494)	202,559	18,991
Compensated absences	8,347	3,344	(9,059)	2,632	790
Total business-type activities	\$ 1,196,400	\$ 3,344	\$ (83,553)	\$ 1,116,191	\$ 78,781

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, 2021, the balance of the loan was \$2,247,875.

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.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (continued)

Operational revenues from the Water & Wastewater utility, net of payments on the Revenue Bond, are pledged as security for repayment of these loans. The current pledged revenues were \$593,969. 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, 2021. 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, 2021 the balances of loan #1 and #2 were \$140,087 and \$62,472, 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 \$1,391,864 and \$493,274, respectively, in 2021.

Vehicles Promissory Note

The City executed a promissory note dated January 14, 2021 with an interest rate of 4% per annum in favor of Marine Bank & Trust Company in the original principal amount of up to \$250,000 for the purpose of purchasing police department vehicles. The City signed a loan agreement in order to set out the terms and conditions of the loan. Monthly payments of interest only are due on the 14th day of each month until principal and interest payments in the amount of \$3,917.49 commence on January 14, 2022 and shall continue monthly on the 14th day of each month until the maturity date of December 14, 2024. As of September 30, 2021, \$99,184 was advanced to the City under this note and the outstanding balance was also \$99,184.

City of Fellsmere, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (continued)

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 95,126	\$ 103,438	\$ 77,991	\$ 46,275
2023	136,113	98,479	81,502	43,110
2024	143,814	92,713	84,026	39,795
2025	100,613	86,969	87,564	36,377
2026	105,236	82,347	91,117	32,809
2027 - 2031	603,060	334,852	504,359	104,957
2032 - 2036	754,908	183,004	187,000	12,735
2037 - 2040	408,189	22,915	-	-
Total	\$ 2,347,059	\$ 1,004,717	\$ 1,113,559	\$ 316,058

G. Operating Lease

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, 2021 is \$865 for the year ending September 30, 2022.

Operating lease rent expense was \$1,297 for the year ended September 30, 2021.

H. Asset Retirement Obligation

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

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

Note 4: RISK MANAGEMENT

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

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

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

Note 5: PROPERTY TAXES

Property taxes are billed and collected within the same fiscal period, and are reflected on the cash basis when received from the tax collector. Since virtually all taxes levied will be collected through the tax collection process, remittances in October and November for prior year taxes are insignificant. Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State that regulate tax assessments are designed to assure a consistent property valuation method. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. For the year ended September 30, 2021, the millage rate assessed by the City was 5.3226 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 2021. 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 \$33,948 for the fiscal year ended September 30, 2021. The money purchase plan is not available to employees until termination, retirement, death, or financial hardship.

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

Health Reimbursement Account

Beginning October 1, 2006 the City established a health reimbursement account and a retirement health savings plan for the benefit of the employees. Both accounts are administered by an independent plan administrator through administrative service agreements. The City credits a flat dollar amount to the health reimbursement account which will vary pursuant to the annual budget appropriation. That amount is then used to pay eligible health claims. For the year ended September 30, 2021, the City credited \$3,000 to each employee's account, and an additional \$3,000 to those employees with dependent coverage for a total of \$6,000, which amounted to \$156,000. All full-time employees participate in the plan.

Note 7: BENEFIT PLANS (Continued)

For the year ended September 30, 2021, the employees' remaining balance in the health reimbursement account amounted to \$183,718.

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

Note 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 2021.

Employer and employee contributions to the plan were \$92,348 and \$67,663, respectively in 2021. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship.

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

City of Fellsmere, Florida
Notes to Financial Statements

Note 9: FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Infrastructure	ARPA	Nonmajor Governmental Funds	Totals
Nonspendable:					
Prepaid items	\$ 50,694	\$ -	\$ -	\$ -	\$ 50,694
Total nonspendable	50,694	-	-	-	50,694
Restricted for:					
Capital Projects	-	-	-	520,512	520,512
Brookside Cemetery	55,265	-	-	-	55,265
Total restricted	55,265	-	-	520,512	575,777
Unassigned	1,232,692	54,087	8	-	1,286,787
Total fund balances, governmental funds	\$ 1,338,651	\$ 54,087	\$ 8	\$ 520,512	\$ 1,913,258

Note 10: FUTURE ACCOUNTING PRONOUNCEMENTS

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

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.

Note 10: FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation plans* increases the consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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 the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and the future 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

<i>September 30, 2021</i>	Special Revenue						Irma Recovery Revenue
	Local Option Gas Tax	FDOT 195/ CR 512 Interlocal Beautification	FOA Transportation Access	Historic Train Village	Tap S. Broadway Sidewalk	-	
ASSETS							
Cash and cash equivalents	\$ 261,718	\$ -	\$ -	\$ 4,082	\$ 1	\$ -	-
Due from other governments	30,911	-	-	-	20,900	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-	-
Total assets	\$ 292,629	\$ -	\$ -	\$ 4,082	\$ 20,901	\$ -	-
LIABILITIES							
Accounts payable	\$ 2	\$ -	\$ -	\$ -	\$ 13,282	\$ -	-
Unearned revenues	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	7,619	-	-
Total liabilities	2	-	-	-	20,901	-	-
FUND BALANCES							
Restricted	292,627	-	-	4,082	-	-	-
Unrestricted / unassigned	-	-	-	-	-	-	-
Total fund balances	292,627	-	-	4,082	-	-	-
Total liabilities and fund balances	\$ 292,629	\$ -	\$ -	\$ 4,082	\$ 20,901	\$ -	-

Special Revenue

<i>September 30, 2021</i>	Cares Act Fund	Special Projects	Community Redevelopment	South Regional Lake PHII	HMGP	HMGP - 97th Street	NY Sidewalk	Total
ASSETS								
Cash and cash equivalents	\$ -	\$ 116,521	\$ 121,307	\$ -	\$ -	\$ -	\$ -	\$ 503,629
Due from other governments	35,637	-	-	53,194	-	-	-	140,642
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-
Total assets	\$ 35,637	\$ 116,521	\$ 121,307	\$ 53,194	\$ -	\$ -	\$ -	\$ 644,271
LIABILITIES								
Accounts payable	\$ 129	\$ -	\$ 7	\$ 15,850	\$ -	\$ -	\$ -	\$ 29,270
Unearned revenues	-	14,018	-	-	-	-	-	14,018
Due to other funds	35,508	-	-	37,344	-	-	-	80,471
Total liabilities	35,637	14,018	7	53,194	-	-	-	123,759
FUND BALANCES								
Restricted	-	102,503	121,300	-	-	-	-	520,512
Unrestricted / unassigned	-	-	-	-	-	-	-	-
Total fund balances	-	102,503	121,300	-	-	-	-	520,512
Total liabilities and fund balances	\$ 35,637	\$ 116,521	\$ 121,307	\$ 53,194	\$ -	\$ -	\$ -	\$ 644,271

City of Fellsmere, Florida

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds**

<i>For the year ended September 30, 2021</i>	Special Revenue					
	Local Option Gas Tax	FDOT 195/ CR 512 Interlocal Beautification	FOA Transportation Access	Historic Train Village	Tap S. Broadway Sidewalk	Irma Recovery Revenue
REVENUES						
Taxes:						
Motor fuel	\$ 183,544	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	20,718	4,078
Other revenues	-	-	-	-	182	-
Total revenues	183,544	-	-	-	20,900	4,078
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-
Transportation	45,987	-	-	-	-	-
Capital outlay	-	-	-	-	56,410	-
Total expenditures	45,987	-	-	-	56,410	-
Excess (deficiency) of revenues over (under) expenditures	137,557	-	-	-	(35,510)	4,078
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	35,510	-
Transfers out	(87,928)	(5,298)	(3,077)	-	-	(4,078)
Total other financing sources (uses)	(87,928)	(5,298)	(3,077)	-	35,510	(4,078)
Net change in fund balances	49,629	(5,298)	(3,077)	-	-	-
Fund balances, beginning of year	242,998	5,298	3,077	4,082	-	-
Fund balances, end of year	\$ 292,627	\$ -	\$ -	\$ 4,082	\$ -	\$ -

Special Revenue

Cares Act Fund	Special Projects	Community Redevelopment	South Regional Lake PHII	HMGP	HMGP - 97th Street	NY Sidewalk	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,544
343,710	-	-	143,999	-	-	-	512,505
-	-	19,817	-	-	-	-	19,999
343,710	-	19,817	143,999	-	-	-	716,048
-	-	6,018	-	-	-	-	6,018
295,258	14,640	-	-	-	-	-	309,898
-	-	387	-	-	-	-	46,374
48,452	-	-	171,759	10,000	1,631	16,360	304,612
343,710	14,640	6,405	171,759	10,000	1,631	16,360	666,902
-	(14,640)	13,412	(27,760)	(10,000)	(1,631)	(16,360)	49,146
-	-	26,640	27,760	10,000	1,631	16,360	117,901
-	-	-	-	-	-	-	(100,381)
-	-	26,640	27,760	10,000	1,631	16,360	17,520
-	(14,640)	40,052	-	-	-	-	66,666
-	117,143	81,248	-	-	-	-	453,846
\$ -	\$ 102,503	\$ 121,300	\$ -	\$ -	\$ -	\$ -	\$ 520,512

City of Fellsmere, Florida
Additional Information Required by Rules of the Auditor General
Florida Statutes Section 10.554(1)(i)6-8

<i>Year Ended September 30, 2021</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Other revenue	\$ 30,000	\$ 30,000	\$ 19,817	\$ (10,183)
Total revenues	30,000	30,000	19,817	(10,183)
Expenditures				
Current:				
General government	30,000	30,000	6,018	23,982
Transportation	-	-	387	(387)
Capital outlay	-	-	-	-
Total expenditures	30,000	30,000	6,405	23,595
Excess of revenues over expenditures	-	-	13,412	13,412
Other financing sources (uses)				
Transfers in	-	-	26,640	26,640
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	26,640	26,640
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	40,052	40,052
Fund balances (deficits), beginning of year	81,248	81,248	81,248	-
Fund balances (deficits), end of year	\$ 81,248	\$ 81,248	\$ 121,300	\$ 40,052

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, 2021, 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 March 1, 2022.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fellsmere, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Melbourne, Florida

March 1, 2022

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Fellsmere, Florida's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fellsmere, Florida's major federal programs for the year ended September 30, 2021. The City of Fellsmere, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Fellsmere, Florida's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fellsmere, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Fellsmere, Florida's compliance.

City of Fellsmere, Florida
Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2021

Opinion on Each Major Federal Program

In our opinion, the City of Fellsmere, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the City of Fellsmere, Florida, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Fellsmere, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fellsmere, Florida's internal control over compliance.

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

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

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

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

Melbourne, Florida
March 1, 2022

City of Fellsmere, Florida
Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2021

Federal Agency, Pass-through Entity, Federal Program	Assistance Listing	Contract/Grant Number	Expenditures	Transfers to Subrecipients
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION				
Passed through Florida Department of Environmental Protection:				
Nonpoint Source Implementation Grant	66.460	NF068	\$ 143,999	\$ -
Total U.S. Department of Environmental Protection			143,999	-
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Passed through Florida Department of Economic Opportunity:				
Community Development Block Grant/State's program and Non-Entitlement Grants	14.228	20DB-OO-10-40-02-N13	303,990	-
Total U.S. Department of Housing & Urban Development			303,990	-
U.S. DEPARTMENT OF JUSTICE				
Passed through the Florida Department of Law Enforcement:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-MU-BX-0036	11,458	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-MU-BX-0006	3,105	-
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	2021-CERF-INRI-A-5A-041	2,293	-
Total U.S. Department of Justice			16,856	-
U.S. DEPARTMENT OF TREASURY				
Passed through Indian River County:				
COVID-19 - Coronavirus Relief Fund	21.019		343,710	-
Total U.S. Department of Treasury			343,710	-
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Florida Department of Transportation:				
Highway Planning and Construction	20.205	G-1S53	20,900	-
Total Highway Planning & Construction Cluster			20,900	-
Total U.S. Department of Transportation			20,900	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 829,455	\$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A

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

NOTE B

The Uniform Guidance allows a City to elect a 10% de minimis indirect cost rate. For the year ended September 30, 2021, the City elected not to use the rate.

NOTE C

The City did not receive any noncash assistance during the year ended September 30, 2021.

City of Fellsmere, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2021

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Federal Assistance Listing	Federal Program or Cluster
21.019	Coronavirus Relief Fund

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

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

City of Fellsmere, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2021

SECTION II—FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV- PRIOR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported in the prior year.

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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, 2021, and have issued our report thereon dated March 1, 2022.

Auditors’ Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance, Schedule of Findings and Questioned Costs, and Independent Accountants’ Report on Compliance with Local Government Investment Policies on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 1, 2022, 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	Cleared
IC 2020-001 Revenues	Cleared
IC 2020-002 Compensated Absences	Cleared
IC 2020-003 Fixed Assets	Cleared

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of the City of Fellsmere, Florida as well as its blended component unit is disclosed in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City of Fellsmere, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City of Fellsmere, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Fellsmere, Florida. It is management's responsibility to monitor the City of Fellsmere, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

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

Specific Information

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

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

- a. Total number of District employees compensated in the last pay period of the District's fiscal year **None**
- b. Total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year **None**
- c. All compensation earned by or awarded to employees, whether paid or accrued **None**
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued **None**
- e. Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin after October 1 of the fiscal year being reported, together with the expenditures of for such projects. **None**
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the CRA amends a final adopted budget under Section 189.016(6), Florida Statutes **See page 78**

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

- a. The millage rate or rates imposed by the District **5.3226 mills**
- b. The total amount of ad valorem taxes collected by or on behalf of the District **\$19,755**
- c. The total amount of outstanding bonds issued by the District and the terms of such bonds **None**

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

Additional Matters

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

Purpose of this Letter

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

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

Melbourne, Florida

March 1, 2022



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

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

We have examined the City of Fellsmere, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2021. Management of the City of Fellsmere, Florida is responsible for the City of Fellsmere, Florida's compliance with the specified requirements. Our responsibility is to express an opinion on the City of Fellsmere, Florida's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City of Fellsmere, Florida complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021.

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

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

Melbourne, Florida
March 1, 2022