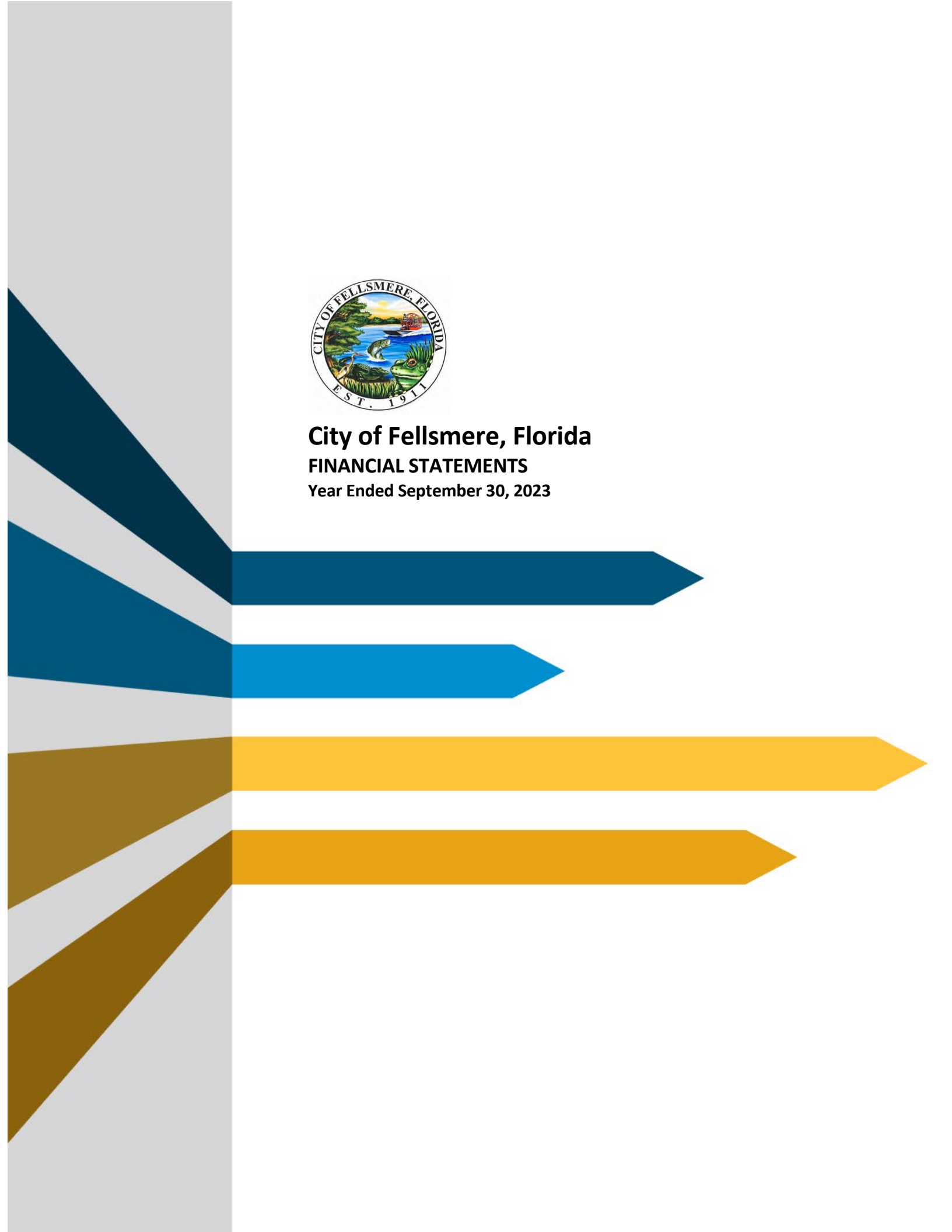




City of Fellsmere, Florida
FINANCIAL STATEMENTS
Year Ended September 30, 2023



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**City of Fellsmere, Florida
City Officials
Year ended September 30, 2023**

Joel Tyson
Mayor

Fernando Herrera
Vice Mayor

Inocensia Hernandez
Gerald Renick
Jessica Salgado
Council Members

Warren W. Dill
City Attorney

Mark D. Mathes, P.E.
City Manager

Maria Suarez-Sanchez
City Clerk

Putnam Moreman, CPA, CGFM
Director of Finance and Accounting

Keith M. Touchberry
Chief of Police

Andy Shelton
Public Works Director

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Fellsmere, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fellsmere, Florida, (the "City") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, the Infrastructure Fund, the ARPA Fund, and the New York Sidewalk Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

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

Supplementary Information

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

Other Information

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2024 on our consideration of the City's internal control over financial reporting and on our tests

of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Melbourne, Florida

February 26, 2024

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, 2023:

- The City's assets exceeded its liabilities at the close of the fiscal year 2023 by \$29,692,739 (net position). The City's unrestricted net position (which may be used to meet the City's ongoing obligations to citizens and creditors) amounted to \$3,341,759.
- The City's total net position increased by \$1,208,578, resulting from an increase of \$1,055,076 from Governmental activities and an increase of \$153,502 from Business-type activities. Unrestricted General Fund balance increased to \$1,529,725 from \$1,298,564, and combined ending Governmental fund balances totaled \$2,639,288, an increase of \$103,308 from the previous year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,529,725 or 87.9% of the total general fund balance.
- General fund revenue increased by 300,652 or 10.9% and expenditures increased by \$45,362 or 1.5%. The increase in revenues is attributable to higher utility taxes, investment earnings, and a donation, as the overall economy rebounded in 2023 versus 2022. Expenditures increased due to insurance rates increasing.
- The City successfully reduced its external debt by \$218,571 in the 2023 fiscal year, with no new debt issuance or debt refinancing initiatives.

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.

City of Fellsmere, Florida Management's Discussion and Analysis

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.

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

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

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

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

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

City of Fellsmere, Florida
Management's Discussion and Analysis

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.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows by \$29,692,739 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 5,815,964	\$ 6,051,723	\$ 3,722,137	\$ 3,793,478	\$ 9,538,101	\$ 9,845,201
Capital assets, net	21,119,332	20,328,121	6,246,800	6,348,903	27,366,132	26,677,024
Total assets	26,935,296	26,379,844	9,968,937	10,142,381	36,904,233	36,522,225
Liabilities:						
Noncurrent liabilities	2,251,461	2,412,018	686,231	735,361	2,937,692	3,147,379
Other liabilities	2,623,263	3,252,997	495,041	406,202	3,118,304	3,659,199
Total liabilities	4,874,724	5,665,015	1,181,272	1,141,563	6,055,996	6,806,578
Deferred inflows of resources:						
Deferred revenue - business tax receipts	553,413	262,746	602,085	968,740	1,155,498	1,231,486
Total deferred inflows	553,413	262,746	602,085	968,740	1,155,498	1,231,486
Net position:						
Net investment in capital assets	18,998,020	18,012,818	5,567,505	5,620,949	24,565,525	23,633,767
Restricted	1,013,000	1,182,397	772,455	765,616	1,785,455	1,948,013
Unrestricted	1,496,139	1,256,868	1,845,620	1,645,513	3,341,759	2,902,381
Total net position	\$ 21,507,159	\$ 20,452,083	\$ 8,185,580	\$ 8,032,078	\$ 29,692,739	\$ 28,484,161

A substantial portion of the City's net position (82.7%) reflects its investment in capital assets (i.e., land, buildings, other improvements, infrastructure improvements, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

City of Fellsmere, Florida
Management's Discussion and Analysis

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

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

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

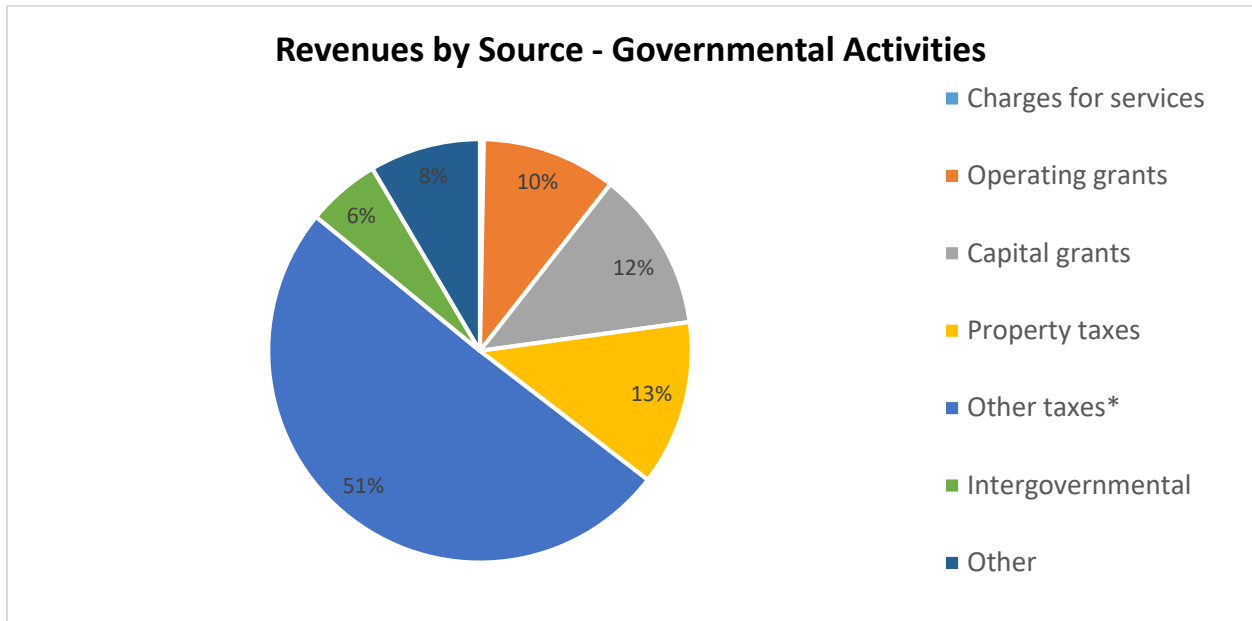
	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	\$ 16,002	\$ 7,024	\$ 1,894,489	\$ 1,825,105	\$ 1,910,491	\$ 1,832,129
Operating grants	560,570	414,271	-	-	560,570	414,271
Capital grants	668,094	1,087,217	495,736	-	1,163,830	1,087,217
General revenues:						
Property taxes	687,741	645,066	-	-	687,741	645,066
Other taxes*	2,753,460	2,778,997	-	-	2,753,460	2,778,997
Intergovernmental	305,619	350,852	-	-	305,619	350,852
Other	462,481	177,992	183,973	192,129	646,454	370,121
Total revenues	5,453,967	5,461,419	2,574,198	2,017,234	8,028,165	7,478,653
Expenses:						
General government	1,594,774	1,328,850	-	-	1,594,774	1,328,850
Public safety	1,155,926	1,182,403	-	-	1,155,926	1,182,403
Physical environment	137,431	201,797	-	-	137,431	201,797
Transportation	1,374,233	1,255,969	-	-	1,374,233	1,255,969
Cultural and recreation	334,281	335,024	-	-	334,281	335,024
Interest and fiscal charges	72,832	111,884	-	-	72,832	111,884
Water & Wastewater	-	-	1,707,428	1,159,612	1,707,428	1,159,612
Community development	-	-	415,688	309,172	415,688	309,172
Stormwater system	-	-	26,994	27,527	26,994	27,527
Total expenses	4,669,477	4,415,927	2,150,110	1,496,311	6,819,587	5,912,238
Change in net position, before transfers:	784,490	1,045,492	424,088	520,923	1,208,578	1,566,415
Transfers	270,586	287,280	(270,586)	(287,280)	-	-
Change in net position	1,055,076	1,332,772	153,502	233,643	1,208,578	1,566,415
Net position -beginning of year	20,452,083	19,119,311	8,032,078	7,798,435	28,484,161	26,917,746
Net position - ending	\$ 21,507,159	\$ 20,452,083	\$ 8,185,580	\$ 8,032,078	\$ 29,692,739	\$ 28,484,161

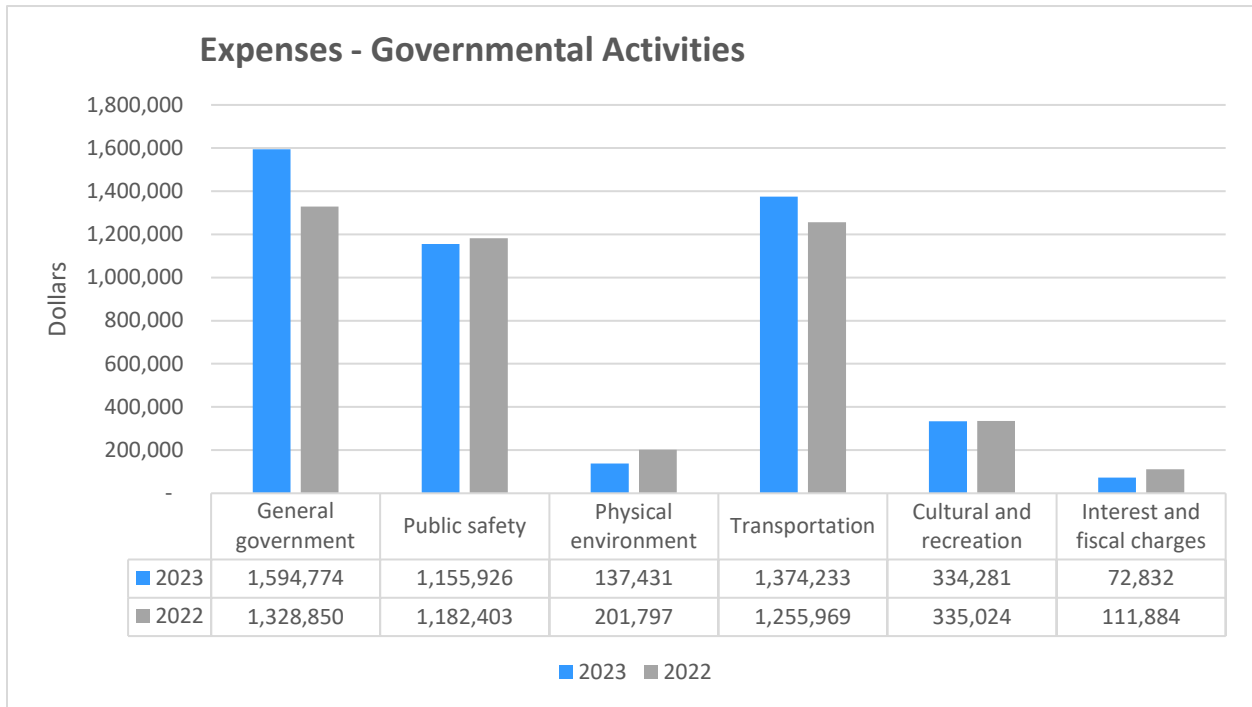
*Other taxes include local option gas tax, franchise fees, utility taxes, communication services tax, discretionary sales surtaxes, motor fuel tax, and half cent sales tax.

City of Fellsmere, Florida Management's Discussion and Analysis

Governmental activities. Governmental activities increased the City's net position by \$1,055,076. Key elements of this increase is as follows:

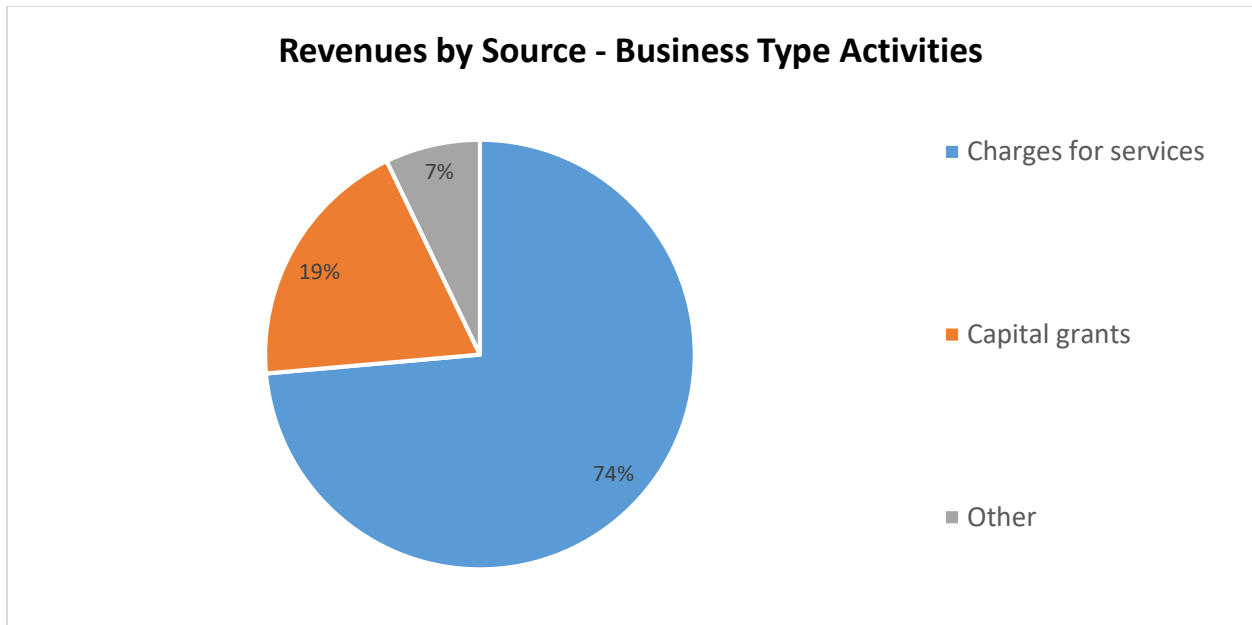
- Across the board increases in revenues due to a rebound in the tourism sector versus the 2022 fiscal year.
- Operating grants increased by \$146,299 or (35.3%). The increase is primarily due to the availability of grant funding from the State and Federal governments.
- Property and other taxes increased \$17,138 or 0.5%, due to the improved real estate values in the County, and a slightly decreased of intergovernmental revenue in the eighth cent motor fuel tax, half cent sales tax and state revenue share on the other hand.
- This year we had Capital Grants totaling \$668,094, which was 38.5% less than in 2022. Mainly due to not receiving FRDAP Grant in fiscal year 2023.
- Governmental Expenses increased \$253,550, or 5.7% over the 2022 fiscal year, mainly due to insurance and employee wages & benefits related expenses increased.



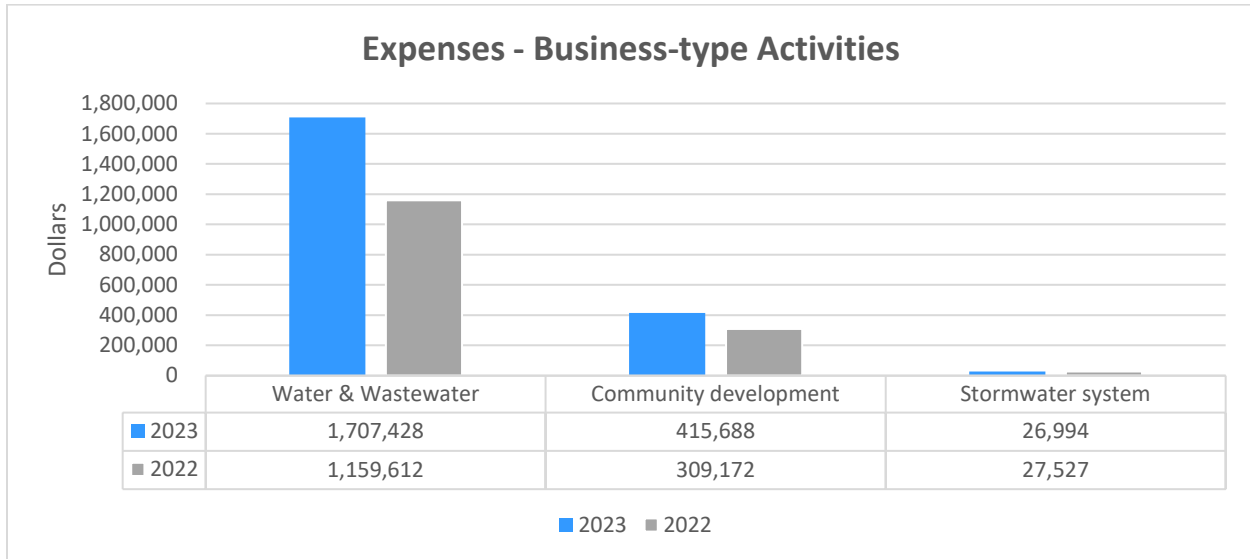


Business-type activities. Business-type activities increased the City’s net position by \$153,502. Key elements of this increase are as follows:

- The Water Fund received a federal grant this fiscal year, while the City didn’t receive any capital grants in 2022.
- Like governmental activities, insurance and employee wages & benefits related expenses increased notably in fiscal year 2023.



City of Fellsmere, Florida
Management's Discussion and Analysis



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

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

As of the end of the recent fiscal year, the City's governmental funds reported combined ending fund balances of \$2,639,288, an increase of \$103,308 in comparison with the prior year. An amount of \$1,529,733 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is non-spendable or restricted to indicate that it is not available for new spending.

The General Fund is the main operating fund of the City. At the end of the most recent fiscal year, unassigned fund balance of the General Fund was \$1,529,725 while the total fund balance reached \$1,740,785. 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 50.3% of total general fund expenditures, while total fund balance represents 57% of that same amount. The fund balance of the City's General Fund increased by \$330,971 during the current fiscal year.

The Community Redevelopment Fund, recorded year-end fund balances restricted for capital projects. Additional information on the fund equity can be found in Note 8.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the City's Water and Wastewater Fund, Community Development, and Stormwater Enterprise

City of Fellsmere, Florida
Management's Discussion and Analysis

funds amounted to \$1,845,620. The total for unrestricted net position (deficit) for each of these funds was \$2,018,267 (\$474,465) and \$301,818, respectively. Other factors concerning the finances of these funds have previously been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital assets. At the end of fiscal year 2023, the City had \$27,366,132 invested in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, roads and drainage, and construction in progress. This amount represents a net increase (including additions and deductions) of \$689,108, approximately 2.6% more than last year.

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

- Infrastructure projects and capital improvements totaling \$3,277,068.

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

- The City purchases two new granulated carbon filters totaling \$117,625.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 7,144,173	\$ 7,128,771	\$ 445,699	\$ 445,699	\$ 7,589,872	\$ 7,574,470
Construction in progress	798,631	3,205,272	-	-	798,631	3,205,272
Buildings	2,221,482	2,292,792	-	-	2,221,482	2,292,792
Improvements other than buildings	761,239	757,757	-	-	761,239	757,757
Machinery and equipment	253,239	275,162	5,801,101	5,903,204	6,054,340	6,178,366
Infrastructure	9,924,470	6,647,402	-	-	9,924,470	6,647,402
Right-to-use lease assets	16,098	20,965	-	-	16,098	20,965
Total capital assets, net	\$ 21,119,332	\$ 20,328,121	\$ 6,246,800	\$ 6,348,903	\$ 27,366,132	\$ 26,677,024

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

Long-term debt. At the conclusion of the 2023 fiscal year, the City of Fellsmere had a total outstanding debt of \$2,795,142, reflecting a decrease of \$218,571 from 2022. There were no new debt issuances or refinancing activities in this fiscal year.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Capital improvement revenue bond, 2022	\$ 2,074,773	\$ 2,194,614	\$ 515,228	\$ 544,386	\$ 2,590,001	\$ 2,739,000
Construction loans	-	-	164,067	183,568	164,067	183,568
Vehicles note	24,976	70,180	-	-	24,976	70,180
Lease liabilities	16,098	20,965	-	-	16,098	20,965
Total long-term debt	\$ 2,115,847	\$ 2,285,759	\$ 679,295	\$ 727,954	\$ 2,795,142	\$ 3,013,713

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2024 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 2023 fiscal year, unassigned fund balance in the general fund increased to \$1,529,725. For the 2024 fiscal year, the City adopted the millage rate at 5.1500 (4% greater than the rolled back rate 4.9506).

The City implemented a CPI increase of 4.00% for the Water/Wastewater fund, and the Stormwater fund. We intend to select a rate consultant in the near future to evaluate our Water/Wastewater and Stormwater systems, in order to determine if our charging structure is sufficient to ensure the financial viability of each fund.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

City of Fellsmere, Florida
Statement of Net Position

<i>September 30, 2023</i>	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,247,516	\$ 1,582,583	\$ 3,830,099
Investments	2,560,216	610,260	3,170,476
Accounts receivable	70,738	237,290	308,028
Lease receivables	240,146	-	240,146
Due from other governments	563,825	-	563,825
Internal balances	(236,571)	236,571	-
Inventories	-	73,404	73,404
Restricted cash and cash equivalents	273,539	979,602	1,253,141
Prepaid items	96,555	2,427	98,982
Capital assets:			
Nondepreciable			
Land	7,144,173	445,699	7,589,872
Construction in progress	798,631	-	798,631
Depreciable, net of accumulated depreciation and amortization			
Buildings	2,221,482	-	2,221,482
Improvements other than buildings	761,239	-	761,239
Machinery and equipment	253,239	5,801,101	6,054,340
Infrastructure	9,924,470	-	9,924,470
Right-to-use lease assets	16,098	-	16,098
Total assets	26,935,296	9,968,937	36,904,233

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

LIABILITIES

Accounts payable and accrued liabilities	212,904	111,683	324,587
Due to other governments	94,907	29,971	124,878
Unearned revenues	2,315,452	353,387	2,668,839
Noncurrent liabilities:			
Due within one year			
Compensated absences	40,684	2,081	42,765
Lease liability	4,971	-	4,971
Bonds and notes payable	147,230	49,773	197,003
Due in more than one year			
Compensated absences	94,930	4,855	99,785
Lease liability	11,127	-	11,127
Bonds and notes payable	1,952,519	629,522	2,582,041
Total liabilities	4,874,724	1,181,272	6,055,996

DEFERRED INFLOWS OF RESOURCES

Deferred revenue - lease revenue	553,413	588,170	1,141,583
Deferred revenue - business tax revenue	-	13,915	13,915
Total deferred inflows of resources	553,413	602,085	1,155,498

NET POSITION

Net investment in capital assets	18,998,020	5,567,505	24,565,525
Restricted for:			
Debt service	-	99,930	99,930
Renewal and replacement	-	672,525	672,525
Cemetery perpetual care	61,540	-	61,540
Capital projects	898,495	-	898,495
Park improvements	52,965	-	52,965
Unrestricted	1,496,139	1,845,620	3,341,759
Total net position	\$ 21,507,159	\$ 8,185,580	\$ 29,692,739

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

City of Fellsmere, Florida
Statement of Activities

Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities:			
General government	\$ 1,594,774	\$ -	\$ 302,849
Public safety	1,155,926	5,402	-
Physical environment	137,431	10,600	63,721
Transportation	1,374,233	-	-
Culture and recreation	334,281	-	194,000
Interest and fiscal charges	72,832	-	-
Total governmental activities	4,669,477	16,002	560,570
Business-type activities:			
Water & Wastewater	1,707,428	1,459,965	-
Community development	415,688	294,027	-
Stormwater system	26,994	140,497	-
Total business-type activities	2,150,110	1,894,489	-
Total primary government	\$ 6,819,587	\$ 1,910,491	\$ 560,570

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
\$ -	\$ (1,291,925)	\$ -	\$ (1,291,925)
-	(1,150,524)	-	(1,150,524)
161,711	98,601	-	98,601
506,383	(867,850)	-	(867,850)
-	(140,281)	-	(140,281)
-	(72,832)	-	(72,832)
668,094	(3,424,811)	-	(3,424,811)
495,736	-	248,273	248,273
-	-	(121,661)	(121,661)
-	-	113,503	113,503
495,736	-	240,115	240,115
\$ 1,163,830	(3,424,811)	240,115	(3,184,696)
	687,741	-	687,741
	908,129	-	908,129
	163,447	-	163,447
	440,665	-	440,665
	561,684	-	561,684
	143,207	-	143,207
	70,637	-	70,637
	465,691	-	465,691
	157,648	30,214	187,862
	305,619	-	305,619
	304,833	153,759	458,592
	270,586	(270,586)	-
	4,479,887	(86,613)	4,393,274
	1,055,076	153,502	1,208,578
	20,452,083	8,032,078	28,484,161
\$	21,507,159	\$ 8,185,580	\$ 29,692,739

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

City of Fellsmere, Florida
Balance Sheet - Governmental Funds

<i>September 30, 2023</i>	General	Infrastructure	NY Sidewalk	ARPA	Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,427,795	\$ -	\$ -	\$ 236,674	\$ 583,047	\$ 2,247,516
Investments	354,416	-	-	2,205,800	-	2,560,216
Accounts receivable	70,738	-	-	-	-	70,738
Lease receivables	240,146	-	-	-	-	240,146
Due from other funds	125,171	-	-	-	-	125,171
Due from other governments	123,525	149,157	59,996	-	231,147	563,825
Restricted cash and cash equivalents	52,965	220,574	-	-	-	273,539
Prepaid items	96,555	-	-	-	-	96,555
Total assets	\$ 2,491,311	\$ 369,731	\$ 59,996	\$ 2,442,474	\$ 814,194	\$ 6,177,706
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 69,262	\$ -	\$ 19,050	\$ 2,275	\$ 84,340	\$ 174,927
Accrued liabilities	32,512	-	-	-	-	32,512
Due to other funds	-	-	35,481	125,171	201,090	361,742
Due to other governments	94,907	-	-	-	-	94,907
Contracts/retainage payable	-	-	5,465	-	-	5,465
Unearned revenues	432	-	-	2,315,020	-	2,315,452
Total current liabilities	197,113	-	59,996	2,442,466	285,430	2,985,005
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - lease revenue	553,413	-	-	-	-	553,413
Total deferred inflows of resources	553,413	-	-	-	-	553,413
Fund balances						
Nonspendable	96,555	-	-	-	-	96,555
Restricted	114,505	369,731	-	-	528,764	1,013,000
Unrestricted / unassigned (deficit)	1,529,725	-	-	8	-	1,529,733
Total fund balances	1,740,785	369,731	-	8	528,764	2,639,288
Total liabilities and fund balances	\$ 2,491,311	\$ 369,731	\$ 59,996	\$ 2,442,474	\$ 814,194	\$ 6,177,706

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, 2023

<u>Total fund balances - governmental funds</u>		<u>\$ 2,639,288</u>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 37,579,740	
Less: accumulated depreciation/amortization	<u>(16,460,408)</u>	21,119,332
<p>Long-term liabilities, including bonds and notes payable, compensated absences and lease liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Bond and note payable	\$ (2,099,749)	
Compensated absences	(135,614)	
Lease liability	(16,098)	(2,251,461)
<u>Net position of governmental activities</u>		<u>\$ 21,507,159</u>

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

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

<i>Year Ended September 30, 2023</i>	General	Infrastructure	NY Sidewalk	ARPA	Nonmajor Funds	Total Governmental Funds
Revenues						
Taxes:						
Property	\$ 687,741	\$ -	\$ -	\$ -	\$ -	\$ 687,741
Public utility	561,684	-	-	-	-	561,684
Sales	-	908,129	-	-	-	908,129
Motor fuel	-	-	-	-	163,447	163,447
Communications services	143,207	-	-	-	-	143,207
Franchise fees	440,665	-	-	-	-	440,665
Intergovernmental	841,729	-	506,383	302,849	419,432	2,070,393
Charges for services	10,600	-	-	-	-	10,600
Fines	5,402	-	-	-	-	5,402
Investment earnings	151,013	5,387	-	-	-	156,400
Other revenues	205,855	-	-	-	60,891	266,746
Total revenues	3,047,896	913,516	506,383	302,849	643,770	5,414,414
Expenditures						
Current:						
General government	1,105,276	-	-	150,569	20,975	1,276,820
Public safety	1,073,617	-	-	5,319	-	1,078,936
Physical environment	-	-	-	-	88,621	88,621
Transportation	716,471	-	-	23,539	113,512	853,522
Culture and recreation	100,340	-	-	66,349	-	166,689
Debt service:						
Principal	4,867	165,045	-	-	-	169,912
Interest and fiscal charges	398	72,434	-	-	-	72,832
Capital outlay	42,174	147,071	668,126	74,524	966,616	1,898,511
Total expenditures	3,043,143	384,550	668,126	320,300	1,189,724	5,605,843
Excess (deficiency) of revenues over (under) expenditures	4,753	528,966	(161,743)	(17,451)	(545,954)	(191,429)
Other financing sources (uses)						
Transfers in	395,052	25,100	161,743	17,450	629,132	1,228,477
Transfers out	(92,985)	(741,894)	-	-	(123,012)	(957,891)
Proceeds from sale of capital assets	24,151	-	-	-	-	24,151
Total other financing sources (uses)	326,218	(716,794)	161,743	17,450	506,120	294,737
Net change in fund balances	330,971	(187,828)	-	(1)	(39,834)	103,308
Fund balances (deficit), beginning of year	1,409,814	557,559	-	9	568,598	2,535,980
Fund balances (deficit), end of year	\$ 1,740,785	\$ 369,731	\$ -	\$ 8	\$ 528,764	\$ 2,639,288

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

City of Fellsmere, Florida

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

Year Ended September 30, 2023

Net change in fund balances - total governmental funds	\$	103,308
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation or amortization expense.</p>		
Expenditures for capital assets	\$ 1,898,511	
Donation of capital asset	15,402	
Less: current year depreciation/amortization	(1,122,702)	791,211
<p>Repayment of bond principal, loans, and leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the principal payments on the long-term debt.</p>		
		169,912
<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>		
		(9,355)
Change in net position of governmental activities		\$ 1,055,076

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, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Property	\$ 683,888	\$ 683,888	\$ 687,741	\$ 3,853
Public utility	486,703	486,703	561,684	74,981
Communications services	151,968	151,968	143,207	(8,761)
Franchise fees	387,071	387,071	440,665	53,594
Intergovernmental	754,489	754,489	841,729	87,240
Charges for services	9,700	9,700	10,600	900
Fines	4,100	4,100	5,402	1,302
Investment earnings	2,550	2,550	151,013	148,463
Other revenues	833,258	833,258	205,855	(627,403)
Total revenues	3,313,727	3,313,727	3,047,896	(265,831)
Expenditures				
Current:				
General government	1,392,181	1,392,181	1,105,276	286,905
Public safety	1,115,698	1,115,698	1,073,617	42,081
Transportation	641,814	641,814	716,471	(74,657)
Culture and recreation	127,490	127,490	100,340	27,150
Debt service:				
Principal	20,544	20,544	4,867	15,677
Interest	-	-	398	(398)
Capital outlay	16,000	16,000	42,174	(26,174)
Total expenditures	3,313,727	3,313,727	3,043,143	270,584
Excess (deficiency) of revenues over (under) expenditures	-	-	4,753	4,753
Other financing sources (uses)				
Transfers in	399,458	407,832	395,052	(12,780)
Transfers out	(79,000)	(79,000)	(92,985)	(13,985)
Proceeds from sale of capital assets	-	-	24,151	24,151
Total other financing sources (uses)	320,458	328,832	326,218	(2,614)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	320,458	328,832	330,971	2,139
Fund balances, beginning of year	1,409,814	1,409,814	1,409,814	-
Fund balances, end of year	\$ 1,730,272	\$ 1,738,646	\$ 1,740,785	\$ 2,139

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, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes:				
Sales	\$ 701,364	\$ 701,364	\$ 908,129	\$ 206,765
Developer Contributions	315,000	315,000	-	(315,000)
Investment earnings/other revenue	-	-	5,387	5,387
Total revenues	1,016,364	1,016,364	913,516	(102,848)
Expenditures				
Debt service:				
Principal	164,837	164,837	165,045	(208)
Interest and fiscal charges	72,478	72,478	72,434	44
Capital outlay	1,251,784	1,251,784	147,071	1,104,713
Total expenditures	1,489,099	1,489,099	384,550	1,104,549
Excess of revenues over expenditures	(472,735)	(472,735)	528,966	1,001,701
Other financing sources (uses)				
Transfers in	1,471,926	1,471,926	25,100	(1,446,826)
Transfers out	(999,191)	(1,754,191)	(741,894)	1,012,297
Total other financing sources (uses)	472,735	(282,265)	(716,794)	(434,529)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	(755,000)	(187,828)	567,172
Fund balances (deficits), beginning of year	54,087	124,087	557,559	433,472
Fund balances (deficits), end of year	\$ 54,087	(630,913)	\$ 369,731	\$ 1,000,644

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 – New York Sidewalk Fund

<i>Year Ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$ 700,000	\$ 700,000	\$ 506,383	\$ (193,617)
Total revenues	700,000	700,000	506,383	(193,617)
Expenditures				
Current:				
Transportation	65,000	65,000	-	65,000
Capital outlay	705,000	755,000	668,126	86,874
Total expenditures	770,000	820,000	668,126	151,874
Deficiency of revenues under expenditures	(70,000)	(120,000)	(161,743)	(41,743)
Other financing sources (uses)				
Transfers in	-	50,000	161,743	111,743
Transfers out	-	-	-	-
Total other financing sources (uses)	-	50,000	161,743	111,743
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(70,000)	(70,000)	-	70,000
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ (70,000)	\$ (70,000)	\$ -	\$ 70,000

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, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental	\$ 1,426,181	\$ 1,426,181	\$ 302,849	\$ (1,123,332)
Investment earnings	31,290	31,290	-	(31,290)
Total revenues	1,457,471	1,457,471	302,849	(1,154,622)
Expenditures				
Current:				
General government	-	-	150,569	(150,569)
Public safety	-	-	5,319	(5,319)
Transportation	-	-	23,539	(23,539)
Culture and recreation	-	-	66,349	(66,349)
Capital outlay	-	-	74,524	(74,524)
Total expenditures	-	-	320,300	(320,300)
Excess of revenues over expenditures	1,457,471	1,457,471	(17,451)	(1,474,922)
Other financing sources (uses)				
Transfers in	-	-	17,450	17,450
Transfers out	2,143,432	2,143,432	-	2,143,432
Total other financing sources (uses)	2,143,432	2,143,432	17,450	2,160,882
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	3,600,903	3,600,903	(1)	685,960
Fund balances (deficits), beginning of year	9	9	9	-
Fund balances (deficits), end of year	\$ 3,600,912	\$ 3,600,912	\$ 8	\$ 685,960

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, 2023</i>	Water & Wastewater	Community Development	Stormwater System - Nonmajor fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,281,203	\$ 9,997	\$ 291,383	\$ 1,582,583
Restricted cash and cash equivalents	979,602	-	-	979,602
Investments	610,260	-	-	610,260
Accounts receivable	156,322	70,533	10,435	237,290
Due from other funds	580,656	-	-	580,656
Inventories	73,404	-	-	73,404
Prepaid items	1,721	706	-	2,427
Total current assets	3,683,168	81,236	301,818	4,066,222
Noncurrent assets:				
Capital assets:				
Land	324,564	37,860	83,275	445,699
Machinery and equipment	9,854,851	8,104	68,026	9,930,981
Less accumulated depreciation	(4,098,539)	(7,929)	(23,412)	(4,129,880)
Total capital assets, net of accumulated depreciation	6,080,876	38,035	127,889	6,246,800
Total noncurrent assets	6,080,876	38,035	127,889	6,246,800
Total assets	9,764,044	119,271	429,707	10,313,022
LIABILITIES				
Current liabilities:				
Accounts payable	35,509	20,852	-	56,361
Accrued liabilities	51,526	3,796	-	55,322
Due to other funds	-	344,085	-	344,085
Due to other governmental units	-	29,971	-	29,971
Unearned revenues	211,047	142,340	-	353,387
Current portion of accrued compensated absences	1,858	223	-	2,081
Current portion of long-term debt	49,773	-	-	49,773
Total current liabilities	349,713	541,267	-	890,980
Noncurrent liabilities:				
Accrued compensated absences, net of current portion	4,336	519	-	4,855
Long-term debt, net of current portion	629,522	-	-	629,522
Total noncurrent liabilities	633,858	519	-	634,377
Total liabilities	983,571	541,786	-	1,525,357
DEFERRED INFLOW OF RESOURCES				
Deferred revenue - lease revenue	588,170	-	-	588,170
Deferred revenue - business tax receipts	-	13,915	-	13,915
Total deferred inflow of resources	588,170	13,915	-	602,085
NET POSITION (DEFICIT)				
Net investment in capital assets	5,401,581	38,035	127,889	5,567,505
Restricted for:				
Debt service	99,930	-	-	99,930
Renewal and replacement	672,525	-	-	672,525
Unrestricted (deficit)	2,018,267	(474,465)	301,818	1,845,620
Total net position (deficit)	\$ 8,192,303	\$ (436,430)	\$ 429,707	\$ 8,185,580

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, 2023</i>	Water & Wastewater	Community Development	Stormwater System - Nonmajor fund	Total
Operating revenues:				
Charges for services	\$ 1,459,965	\$ -	\$ 140,497	\$ 1,600,462
Building permits, licenses and fees	-	294,027	-	294,027
Other revenues	56,907	96,852	-	153,759
Total operating revenues	1,516,872	390,879	140,497	2,048,248
Operating expenses:				
Salaries, wages and employee benefits	310,318	105,224	-	415,542
Contractual services, materials and supplies	1,122,224	310,201	22,388	1,454,813
Depreciation	242,264	263	4,606	247,133
Total operating expenses	1,674,806	415,688	26,994	2,117,488
Operating income (loss)	(157,934)	(24,809)	113,503	(69,240)
Nonoperating revenues (expenses):				
Capital Grant	495,736	-	-	495,736
Interest income	29,590	624	-	30,214
Interest expense	(32,622)	-	-	(32,622)
Total nonoperating revenues (expenses)	492,704	624	-	493,328
Income (loss) before transfers and capital contributions	334,770	(24,185)	113,503	424,088
Transfers				
Transfers in	25,739	80,052	-	105,791
Transfers out	(265,642)	(39,996)	(70,739)	(376,377)
Total transfers	(239,903)	40,056	(70,739)	(270,586)
Change in net position	94,867	15,871	42,764	153,502
Net position (deficit), beginning of year	8,097,436	(452,301)	386,943	8,032,078
Net position (deficit), end of year	\$ 8,192,303	\$ (436,430)	\$ 429,707	\$ 8,185,580

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, 2023</i>	Water & Wastewater	Community Development	Stormwater System - Nonmajor fund	Total
Cash flows from operating activities:				
Cash received from customers for sales and services	\$ 2,117,368	\$ 439,714	\$ 166,488	\$ 2,723,570
Internal activity - payments (receipts) from other funds	(32,356)	(40,915)	-	(73,271)
Cash payments to employees	(207,652)	(80,389)	-	(288,041)
Cash payments to suppliers for goods and services	(940,507)	(350,601)	(22,474)	(1,313,582)
Net cash provided by (used in) operating activities	936,853	(32,191)	144,014	1,048,676
Cash flows from noncapital financing activities:				
Transfers from other funds	25,739	80,052	-	105,791
Transfers to other funds	(265,642)	(39,996)	(70,739)	(376,377)
Net cash provided by (used in) noncapital financing activities	(239,903)	40,056	(70,739)	(270,586)
Cash flows from capital and related financing activities:				
Capital contributions	495,736	-	-	495,736
Acquisition and construction of capital assets	(145,030)	-	-	(145,030)
Principal paid on long-term debt	(48,659)	-	-	(48,659)
Interest paid on long-term debt	(32,622)	-	-	(32,622)
Net cash used in capital and related financing activities	269,425	-	-	269,425
Cash flows from investing activities:				
Purchase of Investments	(610,260)	-	-	(610,260)
Interest on investments	29,590	624	-	30,214
Net cash provided by investing activities	(580,670)	624	-	(580,046)
Net increase (decrease) in cash and cash equivalents	385,705	8,489	73,275	467,469
Cash and cash equivalents, beginning of year	1,875,100	1,508	218,108	2,094,716
Cash and cash equivalents, end of year	\$ 2,260,805	\$ 9,997	\$ 291,383	\$ 2,562,185
Classified on the statement of net position as:				
Current assets:				
Cash and cash equivalents	\$ 1,281,203	\$ 9,997	\$ 291,383	\$ 1,582,583
Restricted cash and cash equivalents	979,602	-	-	979,602
	\$ 2,260,805	\$ 9,997	\$ 291,383	\$ 2,562,185

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, 2023</i>	Water & Wastewater	Community Development	Stormwater System - Nonmajor fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (157,934)	\$ (24,809)	\$ 113,503	\$ (69,240)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	242,264	263	4,606	247,133
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(21,522)	(15,059)	25,991	(10,590)
Due from other funds	(32,356)	-	-	(32,356)
Lease receivables	952,859	-	-	952,859
Inventories	280,110	-	-	280,110
Prepaid items	(3)	(35)	-	(38)
Increase (decrease) in liabilities and:				
deferred inflows:				
Accounts payable	2,129	(15,660)	(86)	(13,617)
Accrued liabilities	2,562	186	-	2,748
Due to other funds	-	(40,915)	-	(40,915)
Due to other governmental units	-	29,971	-	29,971
Accrued compensated absences	(415)	(56)	-	(471)
Unearned revenues	33,848	35,889	-	69,737
Deferred inflows - business tax receipts	-	(1,966)	-	(1,966)
Deferred inflows - lease revenue	(364,689)	-	-	(364,689)
Total adjustments	1,094,787	(7,382)	30,511	1,117,916
Net cash provided by (used in) operating activities	\$ 936,853	\$ (32,191)	\$ 144,014	\$ 1,048,676
Noncash capital and related financing activities:				
Acquisition of capital assets through contributions from property owners, developers and other governments	\$ -	\$ -	\$ -	\$ -

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

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City of Fellsmere, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a four-member governing council (the “Council”). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations even though they are legally separate entities. Thus, blended component units are appropriately presented as funds in the primary government. The City reported no discretely presented component units for the year ended September 30, 2023. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

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

Blended Component Unit

The Community Redevelopment Agency (CRA) was created in November 2005, through Resolution No. 05-JJ, to finance development within the geographic boundaries of the community redevelopment area. Although legally separate, the CRA is governed by a board primarily of the City’s elected Council members and the services provided by the CRA create a financial benefit relationship with the City. The CRA does not issue separate financial statements. Their financial statements are included in the City’s Financial Statements as a non-major special revenue fund for the year ended September 30, 2023.

B. Government-Wide and Fund Financial Statements

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considered revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgements, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

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

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

The *NY Sidewalk Fund* accounts for the financial resources used for the sidewalk project.

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following nonmajor fund types:

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Budgetary Information

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

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

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

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

There were no differences between both bases of presentation during the fiscal year ended September 30, 2023. Appropriations, except open project appropriations, lapse at the end of each fiscal year.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgetary Information (Continued)

The appropriated budget is prepared by fund, function, and department. Shifts in appropriations within fund totals may be done on the authority of the City Manager. Transfers of appropriations between funds require approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations made by the City Council) is the fund level. Budget adjustments made during the year ended September 30, 2023 were approved by the City Council.

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

1. Cash and Cash Equivalents

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

2. Investments

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Investments

Banks and savings and loans in which the City funds are deposited must be classified as a qualified public depository as defined in the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes, before any deposits are made with those institutions. The City had deposits only with qualifying public depositories as of September 30, 2023.

3. Receivables and Payables

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

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

The City has no allowance for doubtful accounts as of September 30, 2023, as all receivables are considered collectible.

4. Interfund Activities and Transactions

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Inventories and Prepaid Items

Inventory at September 30, 2023 consisted of various parts, materials, and supplies on hand in connection with the water system. This inventory is stated at cost, determined by the first-in, first-out (FIFO) method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid items consist of prepaid insurance at September 30, 2023.

6. Restricted Assets

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

7. Capital Assets

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

8. Unearned Revenues

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

9. Deferred Inflows of Resources

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

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

10. Compensated Absences

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Long-term Obligations

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

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

12. Leases

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

13. Categories and Classification of Net Position and Fund Balance

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

14. Revenues and Expenditures/Expenses

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

Property taxes – Property taxes attach as an enforceable lien on real property and are levied based on the property valuation as of January 1. The fiscal year for which property taxes are levied begins October 1. Taxes are due beginning November 1 and considered delinquent on April 1. All property taxes remaining unpaid at May 30 are subject to lien, and penalties and interest are assessed. Property taxes are considered fully collected (97% of the levy) during and prior to the end of the fiscal year. Therefore no material amounts of property taxes are receivable as of September 30, 2023.

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

15. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

16. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 26, 2024. See Note 9 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. Recently Issued and Implemented Accounting Pronouncements

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

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

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

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

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

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

Note 2: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At September 30, 2023, the carrying amount of the City's deposits with banks was \$5,082,040 and the bank balance was \$5,143,351. In addition, the City holds \$1,200 of petty cash. As of September 30, 2023, \$250,000 of the City's bank balances were covered by the Federal Depository Insurance Corporation (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depository, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

Restricted cash in the Enterprise Funds at September 30, 2023 consists of unspent water and wastewater system impact fees and interest earned on these funds of \$879,672. 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 \$99,930.

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

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

The fair values of the LGIP's are equal to the value of the pooled shares. The investments in the LGIP's are not insured by FDIC or any other governmental agency. The LGIP's follow GASB Statement No. 79 and value all securities at amortized cost, which approximate fair value, in an attempt to maintain a constant net asset value (NAV) of \$1 per share. On September 30, 2023, the City had \$3,170,476 invested. The fair value of the City's position in the pool is equal to the value of pooled shares or net asset value.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes of its investments at amortized cost it should disclose the present of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transactions amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2023, there were no redemption fees or maximum transaction amounts, or any other

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments

requirements that serve to limit the City’s access to 100 percent of their account value in the external investment pool.

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

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

The dollar weighted average days to maturity (WAM) of FLCLASS at September 30, 2023, was 43 days and the weighted average life (WAL) was 71 days.

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

Concentration risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investments pools and other pooled investments.

As of September 30, 2023, the City has the following investments and effective duration presented in terms of years.

Investment Type	Credit Rating	Investment Maturities (in years)			
		Fair Value	Less than 1	From 1-5	More than 5
Primary government:					
Florida Cooperative Liquid Assets					
Securities System - FLCLASS	AAAm	\$ 3,170,476	\$ 3,170,476	\$ -	\$ -
Total primary government investments		\$ 3,170,476	\$ 3,170,476	\$ -	\$ -

City of Fellsmere, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

B. Interfund receivables and payables and transfers

The composition of interfund balances as of September 30, 2023, was as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 125,171	\$ -
NY Sidewalk fund	-	35,481
Nonmajor funds	-	201,090
ARPA fund	-	125,171
Water & Wastewater fund	580,656	-
Community development fund	-	344,085
Total	\$ 705,827	\$ 705,827

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

For the year ended September 30, 2023, interfund transfers consisted of the following:

Transfers Out	Transfers In							Totals
	General fund	Infrastructure fund	ARPA	NY sidewalk fund	Water and sewer fund	Community Development fund	Nonmajor Governmental funds	
General fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,004	\$ 48,981	\$ 92,985
Infrastructure fund	-	-	-	161,743	-	-	580,151	741,894
Water & sewer fund	232,749	12,121	-	-	-	20,772	-	265,642
Community development fund	39,996	-	-	-	-	-	-	39,996
Stormwater system Fund	29,724	-	-	-	25,739	15,276	-	70,739
Nonmajor	92,583	12,979	17,450	-	-	-	-	123,012
Totals	\$ 395,052	\$ 25,100	\$ 17,450	\$ 161,743	\$ 25,739	\$ 80,052	\$ 629,132	\$ 1,334,268

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

City of Fellsmere, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the primary government for the year ended September 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,128,771	\$ 15,402	\$ -	\$ 7,144,173
Construction in progress	3,205,272	533,579	(2,940,220)	798,631
Total capital assets, not being depreciated	10,334,043	548,981	(2,940,220)	7,942,804
Capital assets, being depreciated:				
Buildings	5,948,297	202,218	-	6,150,515
Improvements other than buildings	3,533,881	12,325	-	3,546,206
Machinery and equipment	2,214,830	293,779	(113,560)	2,395,049
Infrastructure	13,723,513	3,796,830	-	17,520,343
Total capital assets, being depreciated	25,420,521	4,305,152	(113,560)	29,612,113
Less accumulated depreciation for:				
Buildings	(3,655,505)	(273,528)	-	(3,929,033)
Improvements other than buildings	(2,776,124)	(8,843)	-	(2,784,967)
Machinery and equipment	(1,939,668)	(315,702)	113,560	(2,141,810)
Infrastructure	(7,076,111)	(519,762)	-	(7,595,873)
Total accumulated depreciation	(15,447,408)	(1,117,835)	113,560	(16,451,683)
Total capital assets, being depreciated, net	9,973,113	3,187,317	-	13,160,430
Right-to-use lease assets, being amortized				
Equipment	24,823	-	-	24,823
Right-to-use lease assets, being amortized	24,823	-	-	24,823
Less accumulated amortization for				
Equipment	(3,858)	(4,867)	-	(8,725)
Total accumulated amortization	(3,858)	(4,867)	-	(8,725)
Right-to-use lease assets being amortized,				
net	20,965	(4,867)	-	16,098
Governmental activities capital assets, net	\$ 20,328,121	\$ 3,731,431	\$ (2,940,220)	\$ 21,119,332

City of Fellsmere, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 445,699	\$ -	\$ -	\$ 445,699
Total capital assets, not being depreciated	445,699	-	-	445,699
Capital assets, being depreciated:				
Water plant	2,921,459	117,625	-	3,039,084
Water lines	4,078,223	27,405	-	4,105,628
Water tank	408,813	-	-	408,813
Vehicle and equipment	72,222	-	-	72,222
Equipment	24,490	-	(16,386)	8,104
Wastewater lines	2,229,104	-	-	2,229,104
Stormwater equipment	68,026	-	-	68,026
Total capital assets, being depreciated	9,802,337	145,030	(16,386)	9,930,981
Less accumulated depreciation for:				
Water plant	(887,597)	(62,768)	-	(950,365)
Water lines	(1,889,332)	(124,910)	-	(2,014,242)
Water tank	(218,978)	(7,242)	-	(226,220)
Vehicle and equipment	(72,298)	76	-	(72,222)
Equipment	(24,051)	(263)	16,386	(7,928)
Wastewater lines	(788,070)	(47,420)	-	(835,490)
Stormwater equipment	(18,807)	(4,606)	-	(23,413)
Total accumulated depreciation	(3,899,133)	(247,133)	16,386	(4,129,880)
Total capital assets, being depreciated, net	5,903,204	(102,103)	-	5,801,101
Business-type activities capital assets, net	\$ 6,348,903	\$ (102,103)	\$ -	\$ 6,246,800

City of Fellsmere, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (continued)

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

Governmental activities:	
General government	\$ 267,429
Public safety	67,635
Transportation	553,697
Culture and recreation	233,941
Total depreciation/amortization expense - governmental activities	\$ 1,122,702
Business-type activities:	
Water & Wastewater	\$ 242,264
Community development	263
Stormwater	4,606
Total depreciation expense - business-type activities	\$ 247,133

D. Accounts payable and accrued liabilities

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 174,927	\$ 56,361
Accrued liabilities	37,977	55,322
Total payables	\$ 212,904	\$ 111,683

E. Construction Commitments

The City has active construction projects as of September 30, 2023. At year-end, the City's commitments with contractors are as follows:

NY Sidewalk	\$ 35,483
Total outstanding commitments	\$ 35,483

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

City of Fellsmere, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities

Long-term liability activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital improvement bond, 2022	\$ 2,194,614	\$ -	\$ (119,841)	\$ 2,074,773	\$ 122,254
Vehicles note	70,180	-	(45,204)	24,976	24,976
Compensated absences	126,259	158,204	(148,849)	135,614	40,684
Lease liabilities	20,965	-	(4,867)	16,098	4,971
Total governmental activities	\$ 2,412,018	\$ 158,204	\$ (318,761)	\$ 2,251,461	\$ 192,885

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Capital improvement bond, 2022	\$ 544,386	\$ -	\$ (29,158)	\$ 515,228	\$ 29,747
Construction loans	183,568	-	(19,501)	164,067	20,026
Compensated absences	7,467	5,372	(5,903)	6,936	2,081
Total business-type activities	\$ 735,421	\$ 5,372	\$ (54,562)	\$ 686,231	\$ 51,854

Capital Improvement Revenue Refunding Note, Series 2022 - Direct Borrowing

On May 25, 2022, the City authorized a \$2,764,000 Capital Improvement Revenue Refunding note with an interest rate of 3.22% to refund the outstanding balances of the Water Revenue Bond, Series 1993 and the Capital Improvement Revenue Bond, Series 2008 with an average interest rate of 4.5%.

Since fiscal year 2022, the Capital Improvement Revenue Refunding Note, Series 2022 is the sole outstanding bond issue of the City. Principal and interest are payable quarterly on December 1, March 1, June 1 and September 1 of each year. During the fiscal year ended September 30, 2023, a total of \$149,000 in debt service principal and \$87,608 in debt service interest were paid toward the outstanding balance. As of September 30, 2023, the balance of the note was \$2,590,001.

The bond constitutes a special obligation of the City secured by a lien on and pledge of the gross discretionary sales tax revenues. Upon receipt of discretionary sales tax revenues, the City will transfer from the revenue fund into the sinking fund an equal monthly amount until the balance is sufficient to pay interest and principal due on the note on the next payment date. The City's current principal and interest of \$234,915 was 25.8% of the current pledged revenue of \$908,129. The balance of the sinking fund was \$99,930, respectively, as of September 30, 2023.

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 2: DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term liabilities (continued)

Operational revenues from the Water & Wastewater utility are pledged as security for repayment of these loans. The current pledged revenues were \$54,584. The current principal and interest of \$24,271 was 44% 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, 2023. 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, 2023 the balances of loan #1 and #2 were \$84,395 and \$79,672, respectively.

Vehicles Promissory Note – Direct Borrowing

The City executed a promissory note dated January 14, 2021 with an interest rate of 4% per annum in favor of Marine Bank & Trust Company in the original principal amount of up to \$250,000 for the purpose of purchasing police department vehicles. The City signed a loan agreement in order to set out the terms and conditions of the loan. Monthly payments of interest only are due on the 14th day of each month until the maturity date of March 14, 2024. As of September 30, 2023, the outstanding balance was \$24,976.

Leases

The City has entered into a lease agreement to obtain the right-to-use office equipment. The total annual rent for the leases that the City paid for the fiscal year ended September 30, 2023 was \$5,265. The office equipment lease expires in fiscal year 2027. Monthly payment amounts are \$439.

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 152,201	\$ 67,233	\$ 49,773	\$ 20,472
2025	130,548	62,660	51,093	18,908
2026	136,101	58,395	53,016	17,344
2027	136,173	53,983	54,562	15,721
2028	139,144	49,666	56,123	14,088
2029 - 2033	771,324	175,366	246,085	45,028
2034 - 2038	648,266	58,679	157,734	14,276
2039 - 2041	2,090	85	10,909	21
Total	\$ 2,115,847	\$ 526,067	\$ 679,295	\$ 145,858

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

G. Public – Private Partnership Arrangements

On December 22, 2022, the City entered into a telecommunication easement and lease assignment agreement with TPA V, LLC. (“TPA”) As a result of this agreement, the City granted the cell tower rights to TPA for 50 years, that will end on December 22, 2072. The City received \$932,363 for the lease assignment, and recognized \$18,647 revenue in fiscal year 2023. As of September 30, 2023, the deferred inflow balance was \$913,716, of which, \$325,546 is included in the general fund, and \$588,170 is in the water fund.

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

H. Leases – Lessor

The City accounts for leases in accordance with GASB Statement No. 87, *Leases*. The City’s operations consist of agreements for use of land, cell tower space and buildings. The agreements are made up of various non-cancelable agreements for land, cell tower space and buildings, which expire between the years 2026 and 2072. The City recognized \$34,878 of lease revenue principal and \$8,264 of lease interest for the year ended September 30, 2023.

Note 3: RISK MANAGEMENT

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

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

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

Note 4: PROPERTY TAXES

Property taxes are billed and collected within the same fiscal period, and are reflected on the cash basis when received from the tax collector. Since virtually all taxes levied will be collected through the tax collection process, remittances in October and November for prior year taxes are insignificant.

Note 4: PROPERTY TAXES (Continued)

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, 2023, the millage rate assessed by the City was 5.2210 mills.

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

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

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

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

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

Note 5: CONTINGENT LIABILITIES

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

Note 6: BENEFIT PLANS

Governmental Money Purchase Plan and Trust

Beginning October 1, 2008, the City established a governmental money purchase defined contribution plan created in accordance with Internal Revenue Code Section 401(a).

Note 6: BENEFIT PLANS (Continued)

Governmental Money Purchase Plan and Trust (continued)

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 2023. Although the charter officers and department heads may participate in both the deferred compensation plan (see Note 7) and the governmental money purchase plan and trust, the City will contribute to only one plan on their behalf. Total City contributions to the plan amounted to \$83,898 for the fiscal year ended September 30, 2023. 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, 2023, the City credited \$3,000 to each employee's account, and an additional \$3,000 to those employees with dependent coverage for a total of \$6,000, which amounted to \$162,000. All full-time employees participate in the plan.

For the year ended September 30, 2023, the employees' remaining balance in the health reimbursement account amounted to \$275,459.

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

City of Fellsmere, Florida
Notes to Financial Statements

Note 7: DEFERRED COMPENSATION PLAN

Beginning July 1, 1997, the City established a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan is administered by an independent plan administrator through an administrative service agreement. Participation in the plan is available to all City employees (participants) whereby the employees defer a portion of their salary in the form of plan contributions. In addition to employee contributions, the City has agreed to contribute 13% of employee salaries and wages for employees who contributed 4% in 2023.

Employer and employee contributions to the plan were \$116,573 and \$71,223, respectively, in 2023. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship.

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

Note 8: FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Infrastructure	ARPA	Nonmajor Governmental Funds	Totals
Nonspendable:					
Prepaid items	\$ 96,555	\$ -	\$ -	\$ -	\$ 96,555
Total nonspendable	96,555	-	-	-	96,555
Restricted for:					
Capital Projects	52,965	369,731	-	528,764	951,460
Brookside Cemetery	61,540	-	-	-	61,540
Total restricted	114,505	369,731	-	528,764	1,013,000
Unassigned	1,529,725	-	8	-	1,529,733
Total fund balances, governmental funds	\$ 1,740,785	\$ 369,731	\$ 8	\$ 528,764	\$ 2,639,288

Note 9: SUBSEQUENT EVENTS

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

City of Fellsmere, Florida
Combining Balance Sheet
Nonmajor Governmental Funds

	Special Revenue									
	Local Option Gas Tax	FRDAP Trail Head Preserve LWCF	SJRWMD State Street Greenway	HC&J Stormwater Grant Park	South Regional Lake PHII	Historic Train Village	Community Center Historic Restoration	South Broadway Sidewalk	League Revenue	HMGP
<i>September 30, 2023</i>										
ASSETS										
Cash and cash equivalents	\$ 280,996	\$ 3,500	\$ 7,212	\$ 12,139	\$ -	\$ 4,082	\$ -	\$ -	\$ -	\$ -
Due from other governments	30,060	-	-	-	6,675	-	-	-	-	-
Total assets	\$ 311,056	\$ 3,500	\$ 7,212	\$ 12,139	\$ 6,675	\$ 4,082	\$ -	\$ -	\$ -	\$ -
LIABILITIES										
Accounts payable	\$ 7,550	\$ 3,500	\$ 7,212	\$ 12,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	6,675	-	-	-	-	-
Total liabilities	7,550	3,500	7,212	12,139	6,675	-	-	-	-	-
FUND BALANCES										
Restricted	303,506	-	-	-	-	4,082	-	-	-	-
Total fund balances	303,506	-	-	-	-	4,082	-	-	-	-
Total liabilities and fund balances	\$ 311,056	\$ 3,500	\$ 7,212	\$ 12,139	\$ 6,675	\$ 4,082	\$ -	\$ -	\$ -	\$ -

Special Revenue

Broadband	CDBG 97th Street	DEO Sewer to Shrimp Farm	USDA Comm, Facilities, Vehicles, & Equipment	PD/PW Building Hardening	Stormway Greenway	Special Projects	Community Redevelopment	State Street Reservoir	Rail Trail N. Broadway to State Park	Hurricane Ian	Total
\$ 35,000	\$ -	\$ 18,381	\$ -	\$ -	\$ -	\$ 26,694	\$ 194,546	\$ -	\$ 494	\$ 3	\$ 583,047
-	-	-	-	194,000	-	-	-	-	-	412	231,147
\$ 35,000	\$ -	\$ 18,381	\$ -	\$ 194,000	\$ -	\$ 26,694	\$ 194,546	\$ -	\$ 494	\$ 415	\$ 814,194
\$ 35,000	\$ -	\$ 18,381	\$ -	\$ -	\$ -	\$ -	\$ 64	\$ -	\$ 494	\$ -	\$ 84,340
-	-	-	-	194,000	-	-	-	-	-	415	201,090
35,000	-	18,381	-	194,000	-	-	64	-	494	415	285,430
-	-	-	-	-	-	26,694	194,482	-	-	-	528,764
-	-	-	-	-	-	26,694	194,482	-	-	-	528,764
\$ 35,000	\$ -	\$ 18,381	\$ -	\$ 194,000	\$ -	\$ 26,694	\$ 194,546	\$ -	\$ 494	\$ 415	\$ 814,194

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

<i>For the year ended September 30, 2023</i>	Special Revenue									
	Local Option Gas Tax	FRDAP Trail Head Preserve LWCF	SJRWMD State Street Greenway	HC&J Stormwater Grant Park	South Regional Lake PHII	Historic Train Village	Community Center Historic Restoration	South Broadway Sidewalk	League Revenue	HMGP
REVENUES										
Taxes:										
Motor fuel	\$ 163,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	161,711	-	-	-	-	-
Other revenues	-	-	-	-	-	-	12,979	-	-	-
Total revenues	163,447	-	-	-	161,711	-	-	12,979	-	-
EXPENDITURES										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-	-
Transportation	113,013	-	-	-	-	-	-	-	-	-
Capital outlay	-	28,191	7,212	47,268	197,818	-	2,126	55,107	45,099	14,010
Total expenditures	113,013	28,191	7,212	47,268	197,818	-	2,126	55,107	45,099	14,010
Excess (deficiency) of revenues over (under) expenditures	50,434	(28,191)	(7,212)	(47,268)	(36,107)	-	(2,126)	(42,128)	(45,099)	(14,010)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	28,191	7,212	47,268	36,107	-	2,126	55,107	45,099	14,010
Transfers out	(92,583)	-	-	-	-	-	-	(12,979)	-	-
Total other financing sources (uses)	(92,583)	28,191	7,212	47,268	36,107	-	2,126	42,128	45,099	14,010
Net change in fund balances	(42,149)	-	-	-	-	-	-	-	-	-
Fund balances, beginning of year	345,655	-	-	-	-	4,082	-	-	-	-
Fund balances, end of year	\$ 303,506	\$ -	\$ -	\$ -	\$ -	\$ 4,082	\$ -	\$ -	\$ -	\$ -

Special Revenue

Broadband	CDBG 97th Street	DEO Sewer to Shrimp Farm	USDA Comm, Facilities, Vehicles, & Equipment	PD/PW Building Hardening	Stormway Greenway	Special Projects	Community Redevelopment	State Street Reservoir	Rail Trail N. Broadway to State Park	Hurricane Ian	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,447
-	-	-	48,200	194,000	-	-	-	-	-	15,521	419,432
-	-	-	-	-	-	14,018	33,894	-	-	-	60,891
-	-	-	48,200	194,000	-	14,018	33,894	-	-	15,521	643,770
-	-	-	-	-	-	-	20,975	-	-	-	20,975
-	-	-	-	-	-	73,100	-	-	-	15,521	88,621
-	-	-	-	-	-	-	499	-	-	-	113,512
65,364	136,712	51,082	48,200	176,550	16,520	-	-	30,443	44,914	-	966,616
65,364	136,712	51,082	48,200	176,550	16,520	73,100	21,474	30,443	44,914	15,521	1,189,724
(65,364)	(136,712)	(51,082)	-	17,450	(16,520)	(59,082)	12,420	(30,443)	(44,914)	-	(545,954)
65,364	136,712	51,082	-	-	16,520	-	48,977	30,443	44,914	-	629,132
-	-	-	-	(17,450)	-	-	-	-	-	-	(123,012)
65,364	136,712	51,082	-	(17,450)	16,520	-	48,977	30,443	44,914	-	506,120
-	-	-	-	-	-	(59,082)	61,397	-	-	-	(39,834)
-	-	-	-	-	-	85,776	133,085	-	-	-	568,598
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,694	\$ 194,482	\$ -	\$ -	\$ -	\$ 528,764

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

<i>Year Ended September 30, 2023</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Other revenue	\$ 20,500	\$ 20,500	\$ 33,894	\$ 13,394
Total revenues	20,500	20,500	33,894	13,394
Expenditures				
Current:				
General government	48,000	48,000	20,975	27,025
Transportation	-	-	499	(499)
Total expenditures	48,000	48,000	21,474	26,526
Excess of revenues over expenditures	(27,500)	(27,500)	12,420	39,920
Other financing sources (uses)				
Transfers in	27,500	27,500	48,977	21,477
Transfers out	-	-	-	-
Total other financing sources (uses)	27,500	27,500	48,977	21,477
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	61,397	61,397
Fund balances (deficits), beginning of year	133,085	133,085	133,085	-
Fund balances (deficits), end of year	\$ 133,085	\$ 133,085	\$ 194,482	\$ 61,397



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fellsmere, Florida (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City of Fellsmere, Florida's Response to Findings

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

Purpose of this Report

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

Carr, Rigg & Ingram, L.L.C.

Melbourne, Florida

February 26, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Fellsmere, Florida's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fellsmere, Florida's major federal programs for the year ended September 30, 2023. The City of Fellsmere, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Fellsmere, Florida complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City of Fellsmere, Florida and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Fellsmere, Florida's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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
February 26, 2024

City of Fellsmere, Florida
Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2023

SECTION I—SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Federal ALN	Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
20.205	Highway Planning and Construction Cluster

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, 2023

SECTION II—FINANCIAL STATEMENT FINDINGS

2023-001

Condition: The final trial balance was not properly reviewed to ensure beginning balances agreed with the prior year audited balances, and that accounts balances appeared reasonable.

Criteria: The trial balance should reflect the correct beginning balances and activity during the current year under audit.

Cause: The final trial balance submitted for the current year audit was not properly reviewed to ensure accuracy. Some of the entries made during the prior year were not recorded, and some journal entries made during the current year were incorrect.

Potential Effect of Condition: Fund balance/ net assets did not roll from the prior year, current year lease activity was not recorded, in the water fund accounts receivable and accounts payable were overstated by \$144,132, and accounts receivable in the stormwater fund was overstated by \$48,412.

Recommendation: CRI recommends that the client perform a final review of the trial balance before submitting to the auditors to ensure accounts properly reflect the current year's activity and the beginning of the year roll forward balances agree with the prior year audited ending balances.

Management Response: During the Fiscal Year, the Finance department was preparing to transition to a new ERP Financial System and experienced employee turnover. Management believes this unique scenario caused a key disruption in the month-end close process. Going through the hiring process and adding implementation duties to an already short, staffed department resulted in an unfavorable year-end close. The Finance department was heavily involved in training other department users of the ERP System. It is expected that with the new ERP Financial System the month-end close process will be more efficient since multiple modules are now fully integrated resulting in less adjusting journal entries.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings.

SECTION IV- PRIOR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2022-001 CUTOFF	Status: Cleared
2022-002 SUSPENSION AND DEBARMENT	Status: Cleared

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City of Fellsmere, Florida
Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2023

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	\$ 161,711	\$ -
Passed through Florida Department of Environmental Protection:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW310310	550,892	-
Total Drinking Water State Revolving Fund Cluster			<u>550,892</u>	<u>-</u>
Total U.S. Department of Environmental Protection			<u>712,603</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE				
Community Facilities Loans and Grants	10.766		48,200	-
Total U.S. Department of Housing & Urban Development			<u>48,200</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Florida Department of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		15,521	-
Total U.S. Department of Homeland Security			<u>15,521</u>	<u>-</u>
U.S. DEPARTMENT OF TREASURY				
Direct Program:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Y5082	302,849	-
Total U.S. Department of Treasury			<u>302,849</u>	<u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Florida Department of Transportation:				
Highway Planning and Construction	20.205	G-2723	506,383	-
Total Highway Planning & Construction Cluster			<u>506,383</u>	<u>-</u>
Total U.S. Department of Transportation			<u>506,383</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,585,556</u></u>	<u><u>\$ -</u></u>

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, 2023, the City elected not to use the rate.

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Fellsmere

The responsible party is Claudia Alvarado, Finance Director. The findings will be corrected by October, 2024.

2023-001

Recommendation: CRI recommends that the client perform a final review of the trial balance before submitting to the auditors to ensure accounts properly reflect the current year's activity and the beginning of the year roll forward balances agree with the prior year audited ending balances.

Management Response: During the Fiscal Year, the Finance department was preparing to transition to a new ERP Financial System and experienced employee turnover. Management believes this unique scenario caused a key disruption in the month-end close process. Going through the hiring process and adding implementation duties to an already short, staffed department resulted in an unfavorable year-end close. The Finance department was heavily involved in training other department users of the ERP System. It is expected that with the new ERP Financial System the month-end close process will be more efficient since multiple modules are now fully integrated resulting in less adjusting journal entries.

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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 (the “City”) as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated February 26, 2024.

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, 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 February 26, 2024 should be considered in conjunction with this management letter.

Prior Audit Findings

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

2022 No.	Description	Status
2022-001	Grant Revenue Cutoff	Cleared
2022-002	Federal Award Suspension And Debarment	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 (Unaudited)

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

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

- a. Total number of District employees compensated in the last pay period of the District's fiscal year **None**
- b. Total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year **None**
- c. All compensation earned by or awarded to employees, whether paid or accrued **None**
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued **None**
- e. Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin after October 1 of the fiscal year being reported, together with the expenditures of for such projects. **None**
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the CRA amends a final adopted budget under Section 189.016(6), Florida Statutes **See page 76**

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

- a. The millage rate or rates imposed by the District **5.2210 mills**
- b. The total amount of ad valorem taxes collected by or on behalf of the District **\$232,646**
- 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 note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, 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

February 26, 2024



Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

321.255.0088
386.336.4189 (fax)
CRlcpa.com

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, 2023. 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 as assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

In our opinion, the City of Fellsmere, Florida complied with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2023, in all material respects.

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

Melbourne, Florida
February 26, 2024



Required Communications
September 2023



Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

321.255.0088
386.336.4189 (fax)
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February 26, 2024

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

We are pleased to present the results of our audit of the financial statements of the governmental activities, the business-type activities, each major fund, respective budgetary comparison for the General Fund and the major special revenue funds and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Fellsmere (the "City") for the year ended September 30, 2023.

This report to the Mayor and the City Council summarizes our audit, the reports issued and various analyses and observations related to the City's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the City's basic financial statements for the year ended September 30, 2023. We considered the City's current and emerging needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Mayor and City Council, expect. We received the full support and assistance of City personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Mayor, City Council and Management and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 321.255.0088 or cnollrhan@cricpa.com.

Very truly yours,

A handwritten signature in black ink that reads "Christine E. Noll-Rhan".

Christine E. Noll-Rhan, CPA
Partner
Carr, Riggs & Ingram, LLC



As discussed with management during our planning process and communicated to the City Council in our engagement letter to you dated July 26, 2023, our audit plan represented an approach responsive to the assessment of risk for the City. Specifically, we planned and performed our audit to:

- Perform audit services, as required by Section 218.39 of the Florida Statutes, 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*, with Chapter 10.550 of the Rules of the Auditor General, in order to express an opinion on the City's financial statements for the year ended September 30, 2023;
- 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*; and Uniform Guidance 2 CFR Part 200 in order to express an opinion on compliance with requirements applicable to each major federal program;
- Report on internal control over compliance with the types of compliance requirements described in Uniform Guidance 2 CFR Part 200 and the OMB Compliance Supplement;
- Communicate directly with the Mayor, City Council and management regarding the results of our procedures;
- Address with the Mayor, City Council and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Mayor, City Council and management; and
- Other audit-related projects as they arise and upon request.



We have audited 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 for the year ended September 30, 2023, and have issued our report thereon dated February 26, 2024. Professional standards also require that we communicate to you the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Auditors' responsibility under Generally Accepted Auditing Standards, <i>Government Auditing Standards</i> and Chapter 10.550, Rules of the Florida Auditor General</p>	<p>As stated in our engagement letter dated July 26, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP), <i>Government Auditing Standards</i> and to report on the fairness of supplementary information as described in the engagement letter when considered in relation to the financial statements as a whole. Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control and compliance with laws, regulations, contracts and grants of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control and compliance with laws, regulations, contracts and grants.</p>
<p>Client's responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p> <p>Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality."</p>
<p>Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the City and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the City's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures.</i> • <i>Critical accounting policies and practices applied by the City in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i> 	<p>Significant accounting policies are described in Note 1 to the financial statements.</p> <p>New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncement:</p> <ul style="list-style-type: none"> • <i>Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96)</i> <p>The adoption of GASB Statement No. 96 had no impact on the financial statements.</p> <p>We noted no transactions entered into by the City during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p>Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:</p> <p>The disclosures of Long-Term Liabilities in Note 2F to the financial statements outline the City's outstanding debt and its ability to repay the debt as it becomes due.</p> <p>Further, the disclosures in the City's financial statements are neutral, consistent, and clear.</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<ul style="list-style-type: none"> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;</i> • <i>Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i> 	
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>We encountered no significant difficulties in dealing with management in performing and completing our audit.</p>
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	<p>Refer to the “<i>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</i>”, and the “<i>Schedule of Findings and Questioned Costs</i>”. Comments included in the financial report package.</p>
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	<p>None noted.</p>
<p>Corrected and uncorrected misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the City,</i></p>	<p>See “Summary of Audit Adjustments” section.</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><i>that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Mayor and City Council about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	
<p>Major issues discussed with management prior to retention <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	<p>Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>
<p>Consultations with other accountants <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	<p>To our knowledge, there were no such consultations with other accountants.</p>
<p>Written representations <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	<p>See “Draft Management Representation Letter” section.</p>
<p>Internal control deficiencies <i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors’ attention during the audit.</i></p>	<p>Refer to the “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”, and the “Schedule of Findings and Questioned Costs”. Comments included in the financial report package.</p>
<p>Fraud and illegal acts <i>Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors’ attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Other information in documents containing audited financial statements <i>The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>
<p>Significant unusual accounting transactions <i>Auditor communication with governance to include auditors' views on policies and practices management used, as well as the auditors' understanding of the business purpose.</i></p>	<p>No significant unusual accounting transactions were noted during the year.</p>
<p>Required Supplementary Information <i>The auditors' responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p>
<p>Supplementary Information in relation to the financial statements as a whole <i>The auditors' responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>
<p>Other information accompanying the financial statements <i>The auditors' responsibility for the other information accompanying the financial statements.</i></p>	<p>We were not engaged to report on the other information, which accompany the financial statements but are not RSI. Such information has not be subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do no express an opinion or provide any assurance on it.</p>

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality



We are required to communicate our judgments about the quality, not just the acceptability, of the City's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Mayor, City Council, and management may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Depreciation of Capital Assets	<p>Based on the audit procedures we performed with respect to the City's capital assets, we noted that the City estimates the useful lives of capital assets in accordance with all applicable standards and guidelines of GASB.</p> <p>The City follows the provisions of Section 1400: <i>Reporting Capital Assets</i>, of the GASB Codification when reporting depreciation of its capital assets.</p>	X	Management's estimate of the useful lives of capital assets is based on the historical lives of similar assets and market prices.	We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.
Compensated Absences	<p>Liabilities for compensated absences attributable to services already rendered are accrued as employees earn the rights to those benefits.</p> <p>The City follows the provisions of Section C60: <i>Compensated Absences</i>, of the GASB Codification when reporting these liabilities.</p>	X	The City estimates the accrued liabilities for compensated absences using leave balances accrued at the end of the fiscal year multiplied by the pay rate in effect for each employee as of the end of the fiscal year.	We evaluated the key factors and assumptions in determining they are reasonable in relation to the financial statements taken as a whole.

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
<p>Amortization of right-to-use assets, determination of discount rate for lease liability and fair value of underlying asset.</p>	<p>The City amortizes right-to-use assets using the straight line method and has utilized the incremental borrowing rate to determine the lease liability and the fair value of the underlying assets.</p>	<p>X</p>	<p>The City amortizes right-to-use assets over the shorter period of the lease term or the useful life of the asset which is based on the experience with similar assets and guidance provided by GASB Statement No. 87, Leases. Similarly, using past experience with similar assets and the guidance provided by GASB Statement No. 87, Leases, the District has utilized the incremental borrowing rate to determine the measurement of the lease liability, interest payments and fair value of the underlying asset.</p>	<p>We evaluated the key factors and assumptions used to develop the estimated useful lives, discount rate and fair value of assets in determining that they are reasonable in relation to the financial statements taken as a whole.</p>

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Lease receivables	<p>Lease receivables are initially measure at the net present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts.</p> <p>The City follows the provisions of Section L20: <i>Leases</i>, of the GASB Codification when reporting the net present value of leases.</p>	X	Management's estimate of the lease receivables are based on the net present value calculated based on the lease terms.	We evaluated the key factors and assumptions used to develop the estimated net present values in determining that they are reasonable in relation to the financial statements taken as a whole.
Investments	<p>Expect as noted below, the City reports their investments at fair value. Money market investments and certain interest-earning investment contracts with remaining maturity of one-year or less at the date of purchase may be reported at amortized cost. Investments in certain external pools are measured at amortized cost and are reported by the City at the net asset value per share as provided by the pool sponsor. Real estate investments are reported at net asset value.</p> <p>The City follows the provisions of Section I50: <i>Investments</i>, of the GASB Codification when reporting investments.</p>	X	The City relies on investment valuation information from the information from investment pool sponsors based on financial market information.	We evaluated the key factors and assumptions used to develop the fair value of pooled shares in determining that they are reasonable in relation to the financial statements taken as a whole.

Summary of Audit Adjustments



During the course of our audit, we accumulate differences between amounts recorded by the City and amounts we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the City or passed (uncorrected). Uncorrected misstatements or other matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditors' judgement, such uncorrected misstatements are immaterial to the financial statements under audit.

The following adjustments were corrected by the City:

Adjusting Journal Entries JE # 11				
PY adjustment for debt to tie. Was not recorded in the prior year				
101-00-00-203900	DEBT REFUNDING		\$ 5,391.00	\$
401-00-00-232901	2022 REV BOND PAYABLE		4,893.00	
101-00-00-281101	FUND BALANCE - RESTRICTED			5,391.00
401-00-00-276000	NET ASSETS, UNRESTRICTED			4,893.00
Total			\$ 10,284.00	\$ 10,284.00

Adjusting Journal Entries JE # 12				
PY entry to record lease for I-95 cell tower. Was not recorded in the prior year.				
001-00-00-223001	DEFERRED REVENUE/RENT & ROYALTIES		\$ 28,996.00	\$
001-00-00-271001	FUND BALANCE/UNRESERVED		29,945.00	
CRI 001-00-00-115200	Lease receivable - I-95 cell tower lease		268,215.00	
001-00-00-223001	DEFERRED REVENUE/RENT & ROYALTIES			268,215.00
001-00-00-271001	FUND BALANCE/UNRESERVED			7,583.00
001-00-00-271001	FUND BALANCE/UNRESERVED			28,996.00
CRI 001-00-00-115200	Lease receivable - I-95 cell tower lease			22,362.00
Total			\$ 327,156.00	\$ 327,156.00

Adjusting Journal Entries JE # 40				
to fix AR and AP that were incorrectly grossed up				
401-00-00-202000	ACCOUNTS PAYABLE		\$ 144,132.00	\$
401-00-00-115100	ACCOUNTS RECEIVABLE			144,132.00
Total			\$ 144,132.00	\$ 144,132.00

Adjusting Journal Entries JE # 49				
To record current year lease revenue and lease interest income for I-95 cell tower				
001-00-00-223001	DEFERRED REVENUE/RENT & ROYALTIES		\$ 28,996.00	\$
001-00-00-362000	RENTS AND ROYALTIES		31,990.00	
CRI 001-00-00-115200	Lease receivable - I-95 cell tower lease			24,425.00
CRI 001-00-00-361800	Lease interest income - I-95 Cell Tower			7,565.00
CRI 001-00-00-362100	Lease revenue - I-95 Cell Tower			28,996.00
Total			\$ 60,986.00	\$ 60,986.00

Adjusting Journal Entries JE # 50				
To recorded deferred inflows, lease revenue and lease interest income for iThink Building lease				
001-00-00-223001	DEFERRED REVENUE/RENT & ROYALTIES		\$ 5,882.00	\$
001-00-00-362000	RENTS AND ROYALTIES		6,180.00	
CRI 001-00-00-115300	Lease receivable - iThink building lease			5,481.00
CRI 001-00-00-361900	Lease interest income - iThink Bank Building			699.00
CRI 001-00-00-362200	Lease revenue - iThink Bank building			5,882.00
Total			\$ 12,062.00	\$ 12,062.00

Summary of Audit Adjustments



Adjusting Journal Entries JE # 51				
entry to correct AR for stormwater				
401-00-00-115401	A/R WATER		\$ 39,517.00	\$
401-01-00-115402	A/R WASTEWATER		6,267.00	
404-00-00-329200	STORMWATER UTILITY FEE		22,673.00	
404-00-00-538913	TSF TO GEN FUND (GRANT ADM CHG)		25,739.00	
401-00-00-343300	- WATER UTILITY REVENUE			13,778.00
401-01-00-343500	WASTEWATER UTILITY REVENUE			6,267.00
404-00-00-115404	A/R STORMWATER			48,412.00
CRI-401-00-00-381000	transfer in			25,739.00
Total			\$ 94,196.00	\$ 94,196.00

The City did not pass on any adjustments.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both qualitative and quantitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the City's operating environment that has been identified as playing a significant role in the City's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has an effect on increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.



February 26, 2024

Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

This representation letter is provided in connection with your audit of the financial statements of the City of Fellsmere, Florida (the “City”), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison for the General Fund and the major special revenue funds for the year then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 26, 2024, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 26, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) There are no related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts



receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) We are in agreement with the adjustments you proposed, and have recorded them.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the City and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the names of the City's related parties and all the related party relationships and transactions, including any side agreements.



Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have taken timely and appropriate steps to remedy identified and suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
- 21) We have a process to track the status of audit findings and recommendations.
- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 23) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 24) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 25) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 27) We have appropriately disclosed all information for conduit debt obligations in accordance with GASBS No. 91.
- 28) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 30) As part of your audit, you assisted with preparation of the financial statements and disclosures, schedule of expenditures of federal awards, data collection form, and any other nonaudit services. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, Putnam Moreman, Director of Finance and Accounting, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures and schedule of expenditures of federal awards, the data collection form, and any other nonaudit services.
- 31) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.



- 32) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 33) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 34) The financial statements include all fiduciary activities required by GASBS No. 84 , as amended.
- 35) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended.
- 36) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 37) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 38) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 39) Provisions for uncollectible receivables have been properly identified and recorded.
- 40) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 41) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 42) Interfund, and internal, activity and balances have been appropriately classified and reported.
- 43) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 44) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 45) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 46) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 47) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.



48) With respect to the combining and individual non-major fund financial statements:

- a) We acknowledge our responsibility for presenting the combining, and individual non-major fund financial statements in accordance with accounting principles generally accepted in the United States of America, and we believe the combining financial statements, including its form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining and individual non-major fund financial statements have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b) If the combining and non-major fund financial statements are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

49) With respect to federal award programs:

- a) We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing, designing, implementing, and maintaining, and have established, designed, implemented, and maintained, effective internal control over



compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement* relating to federal awards, and there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.



- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have charged costs to federal awards in accordance with applicable cost principles.
- u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Compliance with Florida Statute 218.415

- 47) The City is in compliance with Florida Statute 218.415, *Local Government Investment Policies*, in all respects.
- 48) We are responsible for complying with Florida Statute 218.415, *Local Government Investment Policies*, and for our assertion about such compliance
- 49) We are responsible for establishing and maintaining effective internal control over compliance.
- 50) We have performed an evaluation of the City's compliance with Florida Statute 218.415, *Local Government Investment Policies*.
- 51) All relevant matters are reflected in the evaluation of the City's compliance with the specified requirements.
- 52) We are responsible for selecting the specified requirements and for determining that the specified requirements are suitable, will be available to intended users, and are appropriate for the purpose of the engagement.
- 53) We have disclosed to you all deficiencies in internal control relevant to compliance with the specified requirements of which we are aware, if any.
- 54) We have disclosed knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the City's compliance with the specified requirements.
- 55) We have disclosed any known events subsequent to the period of the City's compliance with the specified requirements that would have a material effect on its compliance with the specified requirements or its assertion about such compliance.
- 56) We believe that significant assumptions used in making any material estimates are reasonable.
- 57) We have disclosed to you that there is no noncompliance with Florida Statute 218.415, *Local Government Investment Policies*, including noncompliance occurring after September 30, 2023.

Draft Management Representation Letter



58) As agreed upon in the terms of our agreement, we have provided you with all relevant information and access to information and personnel in connection with your examination of compliance with Florida Statute 218.415, *Local Government Investment Policies*.

59) We have disclosed to you all known matters that may contradict the City's compliance with the specified requirements during or subsequent to the period covered by your report, and we have disclosed to you all communications from regulatory agencies, internal auditors, other independent accountants or consultants, and others regarding possible noncompliance with Florida Statute 218.415, *Local Government Investment Policies*, including communications received between September 30, 2023 and the date of this letter.

60) We have responded fully to all inquiries made to us by you during the engagement.

Signature: _____

Signature: _____

Title: City Manager

Title: Director of Finance and Accounting