

City of Fellsmere,  
Florida



Year Ended  
September 30,  
2014

Financial  
Statements and  
Single Audit Act  
Compliance

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# CITY OF FELLSMERE, FLORIDA

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## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

April 24, 2015

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

### Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Independent Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fellsmere, Florida as of September 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.



*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

*Rehmann Lobarr LLC*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

# 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 the 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 City's assets exceeded its liabilities at the close of the fiscal year 2014 by \$21,766,118 (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 \$224,353.
- The City's total net position increased by \$464,144, resulting from an decrease of \$47,973 from governmental activities and increase of \$512,117 from business-type activities.
- Governmental funds reported combined ending fund balances of \$1,326,269. Approximately 17.6% of this amount, \$233,593, is unassigned and available for spending at the City's discretion, an increase of \$137,062 from the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$257,033 or 47.6% of the total general fund balance.
- General fund revenue increased by \$91,506 or 5.2% and expenditures increased by \$23,770 or 1.1%.
- The City reduced its external debt by \$118,779 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of 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.

## CITY OF FELLSMERE, FLORIDA

### Management's Discussion and Analysis

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

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

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

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

**Proprietary Funds.** The City maintains four 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, wastewater, stormwater 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 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.

# CITY OF FELLSMERE, FLORIDA

## Management's Discussion and Analysis

### Government-Wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$21,766,118 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets:</b>						
Current and other assets	\$ 1,392,932	\$ 1,267,715	\$ 1,545,410	\$ 1,165,329	\$ 2,938,342	\$ 2,433,044
Capital assets, net	16,186,434	16,505,836	7,365,754	7,303,296	23,552,188	23,809,132
<b>Total assets</b>	<b>17,579,366</b>	<b>17,773,551</b>	<b>8,911,164</b>	<b>8,468,625</b>	<b>26,490,530</b>	<b>26,242,176</b>
<b>Liabilities:</b>						
Long-term liabilities	2,862,335	2,948,186	1,586,579	1,643,225	4,448,914	4,591,411
Other liabilities	66,663	127,024	208,835	221,767	275,498	348,791
<b>Total liabilities</b>	<b>2,928,998</b>	<b>3,075,210</b>	<b>1,795,414</b>	<b>1,864,992</b>	<b>4,724,412</b>	<b>4,940,202</b>
<b>Net position:</b>						
Net investment in capital assets	13,416,055	13,674,038	5,786,554	5,666,736	19,202,609	19,340,774
Restricted	1,072,830	1,025,593	1,266,326	1,176,179	2,339,156	2,201,772
Unrestricted (deficit)	161,483	(1,290)	62,870	(239,282)	224,353	(240,572)
<b>Total net position</b>	<b>\$ 14,650,368</b>	<b>\$ 14,698,341</b>	<b>\$ 7,115,750</b>	<b>\$ 6,603,633</b>	<b>\$ 21,766,118</b>	<b>\$ 21,301,974</b>

A substantial portion of the City's net position (88%) reflects its investment in capital assets (i.e., land, buildings, other improvements, infrastructure improvements, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

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

# CITY OF FELLSMERE, FLORIDA

## Management's Discussion and Analysis

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

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Program revenues:</b>						
Charges for services	\$ 17,768	\$ 30,049	\$ 1,651,730	\$ 1,286,294	\$ 1,669,498	\$ 1,316,343
Operating grants	1,087,456	1,000	-	-	1,087,456	1,000
Capital grants	134,046	137,227	174,976	-	309,022	137,227
<b>General revenues:</b>						
Property taxes	479,333	483,881	-	-	479,333	483,881
Other taxes	1,839,561	1,751,525	-	-	1,839,561	1,751,525
Intergovernmental	155,105	135,871	-	-	155,105	135,871
Other	214,308	278,038	10,891	11,145	225,199	289,183
<b>Total revenues</b>	<b>3,927,577</b>	<b>2,817,591</b>	<b>1,837,597</b>	<b>1,297,439</b>	<b>5,765,174</b>	<b>4,115,030</b>
<b>Expenses:</b>						
General government	1,065,987	1,182,065	-	-	1,065,987	1,182,065
Public safety	854,912	813,678	-	-	854,912	813,678
Transportation	1,980,103	944,997	-	-	1,980,103	944,997
Cultural and recreation	190,478	186,291	-	-	190,478	186,291
Interest and fiscal charge:	126,164	128,861	-	-	126,164	128,861
Water department	-	-	534,263	530,339	534,263	530,339
Community development	-	-	305,805	279,916	305,805	279,916
Wastewater services	-	-	238,805	228,779	238,805	228,779
Stormwater system	-	-	4,513	1,950	4,513	1,950
<b>Total expenses</b>	<b>4,217,644</b>	<b>3,255,892</b>	<b>1,083,386</b>	<b>1,040,984</b>	<b>5,301,030</b>	<b>4,296,876</b>
Change in net position, before transfers	(290,067)	(438,301)	754,211	256,455	464,144	(181,846)
Transfers	242,094	242,986	(242,094)	(242,986)	-	-
<b>Change in net position</b>	<b>(47,973)</b>	<b>(195,315)</b>	<b>512,117</b>	<b>13,469</b>	<b>464,144</b>	<b>(181,846)</b>
<b>Net position:</b>						
Beginning of year	14,698,341	14,893,656	6,603,633	6,590,164	21,301,974	21,483,820
<b>End of year</b>	<b>\$14,650,368</b>	<b>\$14,698,341</b>	<b>\$ 7,115,750</b>	<b>\$ 6,603,633</b>	<b>\$21,766,118</b>	<b>\$ 21,301,974</b>

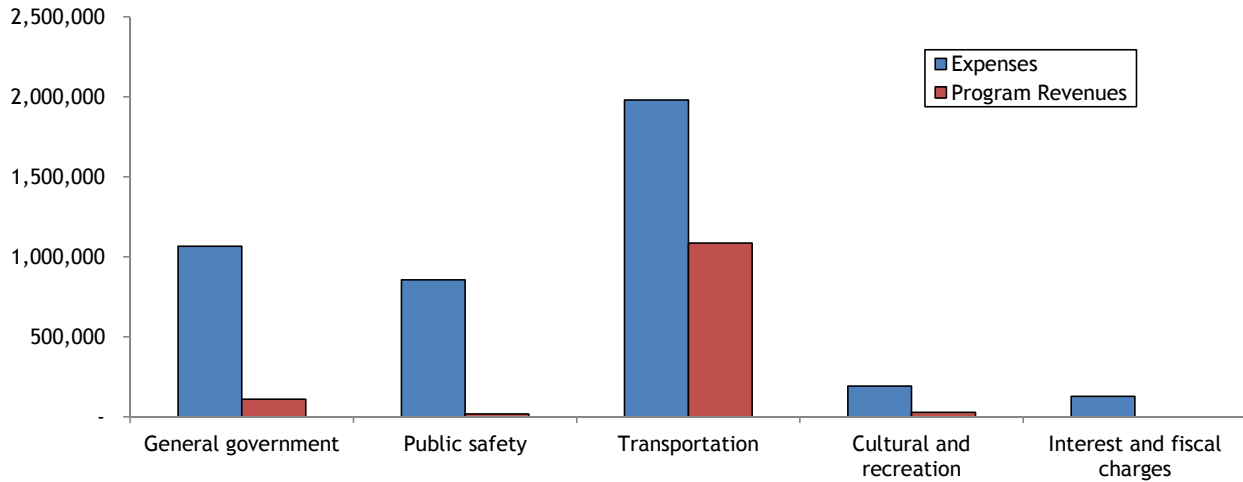
# CITY OF FELLSMERE, FLORIDA

## Management's Discussion and Analysis

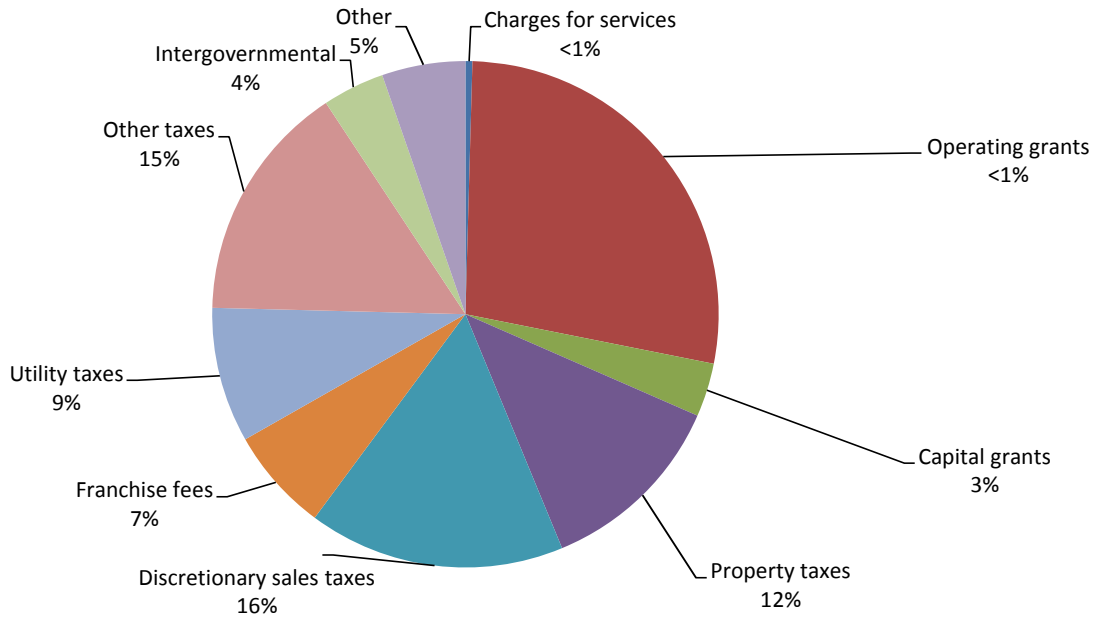
Governmental Activities. Governmental activities decreased the City's net position by \$47,973. A key element of this decrease is as follows:

- Miscellaneous revenue decreased by approximately 24%

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities





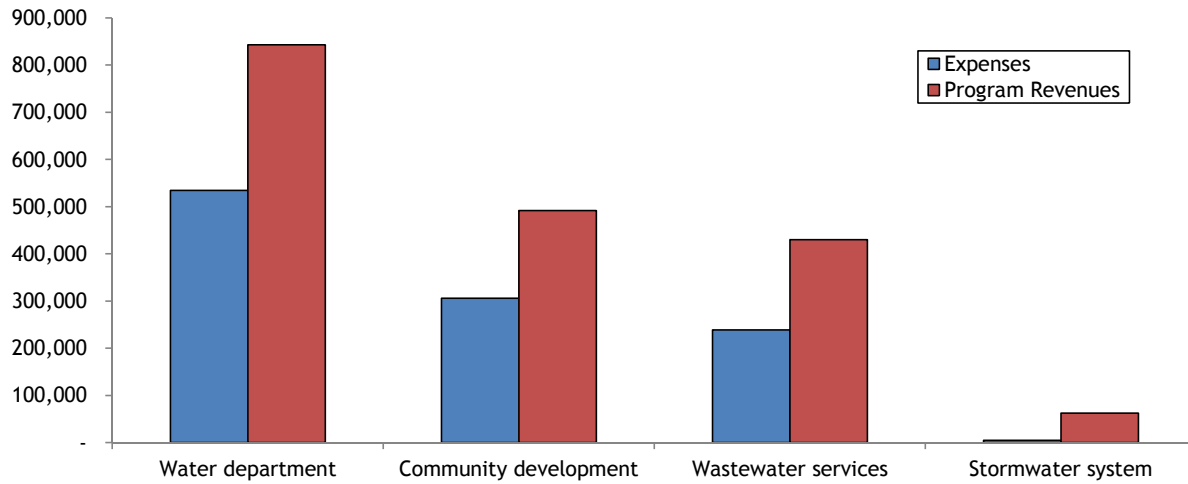
# CITY OF FELLSMERE, FLORIDA

## Management's Discussion and Analysis

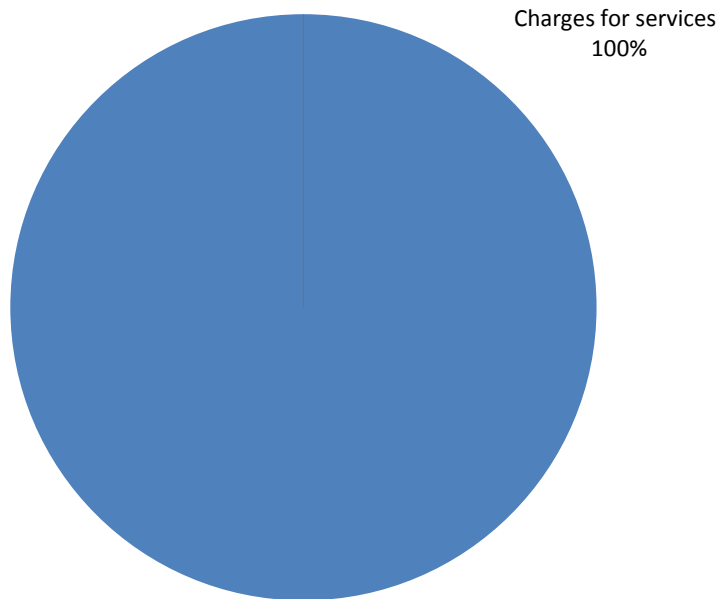
Business-type Activities. Business-type activities increased the City's net position by \$512,117. Key elements of this increase are as follows:

- The water department experienced an income before transfers out of \$320,014.
- The wastewater department experienced an income before transfers out of \$185,635.
- The stormwater department experienced an income before transfers out of \$58,168.
- A net amount of \$282,782 was transferred out of business-type to governmental funds.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



# CITY OF FELLSMERE, FLORIDA

## Management's Discussion and Analysis

### Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the recent fiscal year, the City's governmental funds reported combined ending fund balances of \$1,326,269, an increase of \$185,578 in comparison with the prior year. An amount of \$233,593 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is nonspendable 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 \$257,033, while the total fund balance reached \$539,598. 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 12% of total general fund expenditures, while total fund balance represents 26% of that same amount. The fund balance of the City's general fund increased by \$57,777 during the current fiscal year.

**Proprietary Funds.** The City's proprietary fund statements provide the same type of information found in the government-wide financial statement but in more detail.

Unrestricted net position of the City's water, community development, wastewater and stormwater enterprise funds amounted to \$62,870. The total for unrestricted net position for each of these funds was \$601,349, (\$267,362), (\$315,762) and \$44,645, 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 2014, the City had \$23,552,188 invested in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, roads and drainage, and construction in progress. This amount represents a net decrease (including additions and deductions) of \$256,944, approximately 1% from last year.

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

- Completion of a major park improvement resulted in an increase to other improvements of \$332,226.

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

- The City acquired several pieces of land through foreclosure of water liens totalling \$55,234.
- The City accepted a lift station and force main line from IRCSB totalling \$174,976.

# CITY OF FELLSMERE, FLORIDA

## Management's Discussion and Analysis

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 6,626,696	\$ 6,626,696	\$ 319,268	\$ 264,034	\$ 6,945,964	\$ 6,890,730
Construction in progress	369,976	528,529	239,197	230,999	609,173	759,528
Buildings	3,743,211	3,860,819	-	-	3,743,211	3,860,819
Improvements other than buildings	981,375	649,149	-	-	981,375	649,149
Machinery and equipment	154,327	148,855	6,807,289	6,808,263	6,961,616	6,957,118
Infrastructure	4,310,849	4,691,788	-	-	4,310,849	4,691,788
<b>Total capital assets, net</b>	<b>\$16,186,434</b>	<b>\$16,505,836</b>	<b>\$ 7,365,754</b>	<b>\$ 7,303,296</b>	<b>\$23,552,188</b>	<b>\$ 23,809,132</b>

Additional information on the City's capital assets can be found in Note 8 of this report.

Long-Term Debt. At the end of the 2014 fiscal year, the City of Fellsmere had total outstanding debt of \$4,448,914, a decrease of \$142,497 from 2013.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Water revenue bond, 1993	\$ -	\$ -	\$ 1,257,000	\$ 1,299,000	\$ 1,257,000	\$ 1,299,000
Capital improvement revenue bond, 2008	2,770,379	2,831,798	-	-	2,770,379	2,831,798
Construction notes	-	-	322,200	337,560	322,200	337,560
Compensated absences	91,956	116,388	7,379	6,665	99,335	123,053
<b>Total long-term debt</b>	<b>\$ 2,862,335</b>	<b>\$ 2,948,186</b>	<b>\$ 1,586,579</b>	<b>\$ 1,643,225</b>	<b>\$ 4,448,914</b>	<b>\$ 4,591,411</b>

### Economic Factors and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, tax rates and fees that will be charged for business-type activities. One of these factors is the economy.

The City of Fellsmere's local economy consists largely of agriculture, retail and service industries. The Indian River County unemployment rate in September 2014 was 6.5%, down from 7.1% in the previous year, which is a positive sign and analogous to the economic pattern existing throughout the state and the nation.

During the most recently completed fiscal year, unassigned fund balance in the general fund increased to \$257,033. The City has appropriated \$450,000 for spending in the 2015 fiscal year budget. It was determined that the millage rate for the City would decrease to 5.5309 mills.

The water and wastewater rates were each raised by 1.41% for the 2015 fiscal year budget. These rates were established by the Florida Public Service Commission to annually adjust for the effects of inflation for water and wastewater operations.

## CITY OF FELLSMERE, FLORIDA

### ■ Management's Discussion and Analysis

#### Requests for Information

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

## BASIC FINANCIAL STATEMENTS

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# CITY OF FELLSMERE, FLORIDA

## Statement of Net Position

September 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 287,594	\$ 279,368	\$ 566,962
Receivables	39,722	224,551	264,273
Due from other governmental units	349,610	-	349,610
Internal balances	237,730	(237,730)	-
Inventories	-	12,895	12,895
Restricted cash and cash equivalents	478,276	1,266,326	1,744,602
Capital assets not being depreciated	6,996,672	558,465	7,555,137
Capital assets being depreciated, net	9,189,762	6,807,289	15,997,051
<b>Total assets</b>	<b>17,579,366</b>	<b>8,911,164</b>	<b>26,490,530</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	50,751	38,274	89,025
Unearned revenues	15,912	170,561	186,473
Long-term debt:			
Due within one year	73,436	59,513	132,949
Due in more than one year	2,788,899	1,527,066	4,315,965
<b>Total liabilities</b>	<b>2,928,998</b>	<b>1,795,414</b>	<b>4,724,412</b>
<b>Net position</b>			
Net investment in capital assets	13,416,055	5,786,554	19,202,609
Restricted for:			
Debt service	-	440,082	440,082
Renewal and replacement	708,601	715,024	1,423,625
Cemetery perpetual care	35,565	-	35,565
Other purposes	328,664	111,220	439,884
Unrestricted	161,483	62,870	224,353
<b>Total net position</b>	<b>\$ 14,650,368</b>	<b>\$ 7,115,750</b>	<b>\$ 21,766,118</b>

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

CITY OF FELLSMERE, FLORIDA

Statement of Activities

For the Year Ended September 30, 2014

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 1,065,987	\$ 3,986	\$ -	\$ 104,271	\$ (957,730)
Public safety	854,912	11,079	1,605	4,775	(837,453)
Transportation	1,980,103	-	1,085,596	-	(894,507)
Cultural and recreation	190,478	2,703	255	25,000	(162,520)
Interest and fiscal charges	126,164	-	-	-	(126,164)
Total governmental activities	<u>4,217,644</u>	<u>17,768</u>	<u>1,087,456</u>	<u>134,046</u>	<u>(2,978,374)</u>
Business-type activities:					
Water department	534,263	842,736	-	-	308,473
Community development	305,805	491,457	-	-	185,652
Wastewater services	238,805	254,856	-	174,976	191,027
Stormwater system	4,513	62,681	-	-	58,168
Total business-type activities	<u>1,083,386</u>	<u>1,651,730</u>	<u>-</u>	<u>174,976</u>	<u>743,320</u>
Total primary government	<u>\$ 5,301,030</u>	<u>\$ 1,669,498</u>	<u>\$ 1,087,456</u>	<u>\$ 309,022</u>	<u>\$ (2,235,054)</u>

continued...



# CITY OF FELLSMERE, FLORIDA

## Statement of Activities

For the Year Ended September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position			
Net revenue (expense)	\$ (2,978,374)	\$ 743,320	\$ (2,235,054)
General revenues and transfers-			
Taxes:			
Property	479,333	-	479,333
Discretionary sales	643,742	-	643,742
Local option gas	132,060	-	132,060
Franchise	260,091	-	260,091
Utility	338,961	-	338,961
Communications services	63,507	-	63,507
Eighth cent motor fuel	52,957	-	52,957
Half cent sales	348,243	-	348,243
Unrestricted investment earnings	5,192	10,891	16,083
State shared revenue	155,105	-	155,105
Miscellaneous	209,116	-	209,116
Transfers	242,094	(242,094)	-
Total general revenues and transfers	2,930,401	(231,203)	2,699,198
Change in net position	(47,973)	512,117	464,144
Net position, beginning of year	14,698,341	6,603,633	21,301,974
Net position, end of year	\$ 14,650,368	\$ 7,115,750	\$ 21,766,118

concluded

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

# CITY OF FELLSMERE, FLORIDA

## Balance Sheet

Governmental Funds

September 30, 2014

	General	Infrastructure	CDBG Gas Supply
<b>Assets</b>			
Cash and cash equivalents	\$ 196,256	\$ -	\$ -
Accounts receivable	34,617	-	855
Due from other governments	80,543	105,795	108,578
Due from other funds	21,330	-	-
Restricted cash and cash equivalents	-	520,791	-
Advance to other funds	247,000	-	-
<b>Total assets</b>	<b>\$ 579,746</b>	<b>\$ 626,586</b>	<b>\$ 109,433</b>
<b>Liabilities</b>			
Negative equity in pooled cash	\$ -	\$ -	\$ 105,493
Accounts payable	6,607	-	-
Accrued liabilities	31,647	-	-
Due to other funds	-	-	-
Unearned revenues	1,894	-	-
<b>Total liabilities</b>	<b>40,148</b>	<b>-</b>	<b>105,493</b>
<b>Fund balances</b>			
Nonspendable	247,000	-	-
Restricted	35,565	626,586	3,940
Unassigned (deficit)	257,033	-	-
<b>Total fund balances</b>	<b>539,598</b>	<b>626,586</b>	<b>3,940</b>
<b>Total liabilities and fund balances</b>	<b>\$ 579,746</b>	<b>\$ 626,586</b>	<b>\$ 109,433</b>

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



Community Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 91,338	\$ 287,594
-	4,250	39,722
-	54,694	349,610
-	-	21,330
45,109	56,158	622,058
-	-	247,000
<u>\$ 45,109</u>	<u>\$ 206,440</u>	<u>\$ 1,567,314</u>
\$ -	\$ 38,289	\$ 143,782
-	12,497	19,104
-	-	31,647
30,600	-	30,600
-	14,018	15,912
<u>30,600</u>	<u>64,804</u>	<u>241,045</u>
-	-	247,000
34,355	145,230	845,676
<u>(19,846)</u>	<u>(3,594)</u>	<u>233,593</u>
<u>14,509</u>	<u>141,636</u>	<u>1,326,269</u>
<u>\$ 45,109</u>	<u>\$ 206,440</u>	<u>\$ 1,567,314</u>

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## CITY OF FELLSMERE, FLORIDA

### Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
September 30, 2014

Fund balances - total governmental funds \$ 1,326,269

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

Capital assets used in governmental activities are not financial resources,  
and therefore are not reported in the fund statement.

Capital assets not being depreciated	6,996,672
Capital assets being depreciated, net	9,189,762

Certain liabilities are not due and payable in the current period, and therefore  
are not reported in the funds.

Capital improvement revenue bonds payable	(2,770,379)
Accrued compensated absences	<u>(91,956)</u>

Net position of governmental activities \$ 14,650,368

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

# CITY OF FELLSMERE, FLORIDA

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended September 30, 2014

	General	Infrastructure	CDBG Gas Supply
<b>Revenues</b>			
Taxes:			
Property	\$ 479,333	\$ -	\$ -
Public utility	338,961	-	-
Sales	-	643,742	-
Motor fuel	-	-	-
Communications services	63,507	-	-
Franchise fees	260,091	-	-
Intergovernmental	557,910	-	1,085,596
Charges for services	6,689	-	-
Fines	11,079	-	-
Investment earnings	4,661	435	-
Contributions and donations	255	-	-
Other revenue	126,919	43,244	6,228
<b>Total revenues</b>	<b>1,849,405</b>	<b>687,421</b>	<b>1,091,824</b>
<b>Expenditures</b>			
Current:			
General government	814,011	307	-
Public safety	831,416	-	-
Transportation	418,511	-	-
Culture and recreation	35,933	-	-
Debt service:			
Principal	-	61,419	-
Interest and fiscal charges	-	126,164	-
Capital outlay	1,441	103,840	1,091,784
<b>Total expenditures</b>	<b>2,101,312</b>	<b>291,730</b>	<b>1,091,784</b>
Revenues over (under) expenditures	(251,907)	395,691	40
<b>Other financing sources (uses)</b>			
Transfers in	332,745	-	8,946
Transfers out	(23,061)	(198,585)	(8,946)
<b>Total other financing sources (uses)</b>	<b>309,684</b>	<b>(198,585)</b>	<b>-</b>
Net changes in fund balances	57,777	197,106	40
Fund balances, beginning of year	481,821	429,480	3,900
Fund balances, end of year	\$ 539,598	\$ 626,586	\$ 3,940

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



Community Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 479,333
-	-	338,961
-	-	643,742
-	132,060	132,060
-	-	63,507
-	-	260,091
-	129,271	1,772,777
-	-	6,689
-	-	11,079
-	-	5,096
-	-	255
1,630	29,941	207,962
<u>1,630</u>	<u>291,272</u>	<u>3,921,552</u>
5,175	39,545	859,038
-	-	831,416
-	31,736	450,247
-	-	35,933
-	-	61,419
-	-	126,164
-	416,786	1,613,851
<u>5,175</u>	<u>488,067</u>	<u>3,978,068</u>
<u>(3,545)</u>	<u>(196,795)</u>	<u>(56,516)</u>
2,266	294,904	638,861
<u>(65,645)</u>	<u>(100,530)</u>	<u>(396,767)</u>
<u>(63,379)</u>	<u>194,374</u>	<u>242,094</u>
(66,924)	(2,421)	185,578
<u>81,433</u>	<u>144,057</u>	<u>1,140,691</u>
<u>\$ 14,509</u>	<u>\$ 141,636</u>	<u>\$ 1,326,269</u>

# CITY OF FELLSMERE, FLORIDA

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended September 30, 2014

Net change in fund balances - total governmental funds	\$ 185,578
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	511,246
Donation of asset	4,775
Depreciation expense	(835,423)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term liabilities	61,419
Some expenses 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.	
Change in the accrual for compensated absences	<u>24,432</u>
Change in net position of governmental activities	<u><u>\$ (47,973)</u></u>

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



# CITY OF FELLSMERE, FLORIDA

## Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund

For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes:				
Property	\$ 503,840	\$ 503,840	\$ 479,333	\$ (24,507)
Public utility	317,900	317,900	338,961	21,061
Communications services	70,420	70,420	63,507	(6,913)
Franchise fees	258,850	258,850	260,091	1,241
Intergovernmental	520,720	520,720	557,910	37,190
Charges for services	11,500	11,500	6,689	(4,811)
Fines	19,820	19,820	11,079	(8,741)
Investment earnings	2,790	2,790	4,661	1,871
Contributions and donations	100	100	255	155
Other revenue	104,800	104,800	126,919	22,119
<b>Total revenues</b>	<b>1,810,740</b>	<b>1,810,740</b>	<b>1,849,405</b>	<b>38,665</b>
<b>Expenditures</b>				
Current:				
General government	1,298,040	1,298,040	814,011	(484,029)
Public safety	829,320	829,320	831,416	2,096
Transportation	450,020	450,020	418,511	(31,509)
Culture and recreation	35,800	35,800	35,933	133
<b>Total expenditures</b>	<b>2,613,180</b>	<b>2,613,180</b>	<b>2,101,312</b>	<b>(511,868)</b>
<b>Revenues over (under) expenditures</b>	<b>(802,440)</b>	<b>(802,440)</b>	<b>(251,907)</b>	<b>550,533</b>
<b>Other financing sources (uses)</b>				
Transfers in	827,840	827,840	332,745	(495,095)
Transfers out	(25,400)	(25,400)	(23,061)	2,339
<b>Total other financing sources</b>	<b>802,440</b>	<b>802,440</b>	<b>309,684</b>	<b>(492,756)</b>
<b>Net changes in fund balances</b>	<b>-</b>	<b>-</b>	<b>57,777</b>	<b>57,777</b>
<b>Fund balances, beginning of year</b>	<b>481,821</b>	<b>481,821</b>	<b>481,821</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 481,821</b>	<b>\$ 481,821</b>	<b>\$ 539,598</b>	<b>\$ 57,777</b>

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

# CITY OF FELLOSMERE, FLORIDA

## Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Infrastructure Fund

For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes:				
Sales	\$ 653,850	\$ 653,850	\$ 643,742	\$ (10,108)
Investment earnings	100	100	435	335
Other revenue	226,140	226,140	43,244	(182,896)
<b>Total revenues</b>	<b>880,090</b>	<b>880,090</b>	<b>687,421</b>	<b>(192,669)</b>
Expenditures				
Current:				
General government	300	300	307	7
Debt service:				
Principal	61,420	61,420	61,419	(1)
Interest expense and fiscal charges	126,170	126,170	126,164	(6)
Capital outlay	25,000	25,000	103,840	78,840
<b>Total expenditures</b>	<b>212,890</b>	<b>212,890</b>	<b>291,730</b>	<b>78,840</b>
Revenues over expenditures	667,200	667,200	395,691	(271,509)
Other financing uses				
Transfers out	(667,200)	(667,200)	(198,585)	468,615
Net changes in fund balances	-	-	197,106	197,106
Fund balances, beginning of year	429,480	429,480	429,480	-
Fund balances, end of year	\$ 429,480	\$ 429,480	\$ 626,586	\$ 197,106

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

# CITY OF FELLSMERE, FLORIDA

## Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - CDBG Gas Supply Fund For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 1,090,000	\$ 1,090,000	\$ 1,085,596	\$ (4,404)
Other revenue	100,000	100,000	6,228	(93,772)
<b>Total revenues</b>	<b>1,190,000</b>	<b>1,190,000</b>	<b>1,091,824</b>	<b>(98,176)</b>
Expenditures				
Capital outlay	1,190,000	1,190,000	1,091,784	(98,216)
<b>Revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>40</b>
Other financing sources (uses)				
Transfers in	10,000	10,000	8,946	(1,054)
Transfers out	(10,000)	(10,000)	(8,946)	1,054
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>40</b>
Fund balances, beginning of year	3,900	3,900	3,900	-
<b>Fund balances, end of year</b>	<b>\$ 3,900</b>	<b>\$ 3,900</b>	<b>\$ 3,940</b>	<b>\$ 40</b>

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

# CITY OF FELLOSMERE, FLORIDA

## Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Community Redevelopment Agency Fund For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Other revenue	\$ 5,450	\$ 5,450	\$ 1,630	\$ (3,820)
Expenditures				
Current:				
General government	15,160	15,160	5,175	(9,985)
Revenues over (under) expenditures	(9,710)	(9,710)	(3,545)	6,165
Other financing sources (uses)				
Transfers in	9,710	9,710	2,266	(7,444)
Transfers out	-	-	(65,645)	(65,645)
Total other financing sources (uses)	9,710	9,710	(63,379)	(73,089)
Net changes in fund balances	-	-	(66,924)	(66,924)
Fund balances, beginning of year	81,433	81,433	81,433	-
Fund balances, end of year	\$ 81,433	\$ 81,433	\$ 14,509	\$ (66,924)

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

CITY OF FELLSMERE, FLORIDA

Statement of Net Position

Enterprise Funds  
September 30, 2014

	Water Department	Community Development	Wastewater Service	Stormwater System - Nonmajor Fund	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 234,432	\$ 531	\$ -	\$ 44,405	\$ 279,368
Restricted cash and cash equivalents	1,211,792	-	54,534	-	1,266,326
Accounts receivable	152,208	44,356	27,747	240	224,551
Due from other funds	-	9,270	-	-	9,270
Inventories	12,895	-	-	-	12,895
<b>Total current assets</b>	<b>1,611,327</b>	<b>54,157</b>	<b>82,281</b>	<b>44,645</b>	<b>1,792,410</b>
Noncurrent assets:					
Advance to other funds	298,000	-	-	-	298,000
Capital assets:					
Land	309,517	9,751	-	-	319,268
Construction in progress	239,197	-	-	-	239,197
Machinery and equipment	6,837,594	31,645	2,101,328	-	8,970,567
Less accumulated depreciation	(1,785,993)	(28,002)	(349,283)	-	(2,163,278)
<b>Total noncurrent assets</b>	<b>5,898,315</b>	<b>13,394</b>	<b>1,752,045</b>	<b>-</b>	<b>7,663,754</b>
<b>Total assets</b>	<b>7,509,642</b>	<b>67,551</b>	<b>1,834,326</b>	<b>44,645</b>	<b>9,456,164</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	5,539	12,235	16,423	-	34,197
Accrued liabilities	332	3,321	-	-	3,653
Accrued interest payable	424	-	-	-	424
Unearned revenues	88,672	52,804	29,085	-	170,561
Current portion of accrued compensated absences	122	616	-	-	738
Current portion of long-term debt	58,775	-	-	-	58,775
<b>Total current liabilities</b>	<b>153,864</b>	<b>68,976</b>	<b>45,508</b>	<b>-</b>	<b>268,348</b>
Noncurrent liabilities:					
Accrued compensated absences, net of current portion	1,097	5,543	-	-	6,640
Advances from other funds	-	247,000	298,000	-	545,000
Long-term debt, net of current portion	1,520,426	-	-	-	1,520,426
<b>Total noncurrent liabilities</b>	<b>1,521,523</b>	<b>252,543</b>	<b>298,000</b>	<b>-</b>	<b>2,072,066</b>
<b>Total liabilities</b>	<b>1,675,387</b>	<b>321,519</b>	<b>343,508</b>	<b>-</b>	<b>2,340,414</b>
<b>Net position (deficit)</b>					
Net investment in capital assets	4,021,114	13,394	1,752,046	-	5,786,554
Restricted for:					
Revenue bond debt service	440,082	-	-	-	440,082
Renewal and replacement	686,075	-	28,949	-	715,024
Other purposes	85,635	-	25,585	-	111,220
Unrestricted (deficit)	601,349	(267,362)	(315,762)	44,645	62,870
<b>Total net position (deficit)</b>	<b>\$ 5,834,255</b>	<b>\$ (253,968)</b>	<b>\$ 1,490,818</b>	<b>\$ 44,645</b>	<b>\$ 7,115,750</b>

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

CITY OF FELLSMERE, FLORIDA

Statement of Revenues, Expenses and Changes in Fund Net Position

Enterprise Funds

For the Year Ended September 30, 2014

	Water Department	Community Development	Wastewater Service	Stormwater System - Nonmajor Fund	Total
<b>Operating revenues</b>					
Charges for services	\$ 769,435	\$ -	\$ 253,834	\$ 62,681	\$ 1,085,950
Building permits, licenses, fees	-	424,060	-	-	424,060
Other revenues	73,301	67,397	1,022	-	141,720
<b>Total operating revenues</b>	<b>842,736</b>	<b>491,457</b>	<b>254,856</b>	<b>62,681</b>	<b>1,651,730</b>
<b>Operating expenses</b>					
Salaries, wages and employee benefits	59,845	174,062	-	-	233,907
Contractual services, materials and supplies	271,577	130,350	197,653	4,513	604,093
Depreciation	135,475	1,393	41,152	-	178,020
<b>Total operating expenses</b>	<b>466,897</b>	<b>305,805</b>	<b>238,805</b>	<b>4,513</b>	<b>1,016,020</b>
<b>Operating income</b>	<b>375,839</b>	<b>185,652</b>	<b>16,051</b>	<b>58,168</b>	<b>635,710</b>
<b>Nonoperating revenues (expenses)</b>					
Interest income	10,405	486	-	-	10,891
Interest expense	(67,366)	-	-	-	(67,366)
<b>Total nonoperating revenues (expenses)</b>	<b>(56,961)</b>	<b>486</b>	<b>-</b>	<b>-</b>	<b>(56,475)</b>
<b>Income before transfers and capital contributions</b>	<b>318,878</b>	<b>186,138</b>	<b>16,051</b>	<b>58,168</b>	<b>579,235</b>
<b>Transfers</b>					
Transfers in	-	40,688	-	-	40,688
Transfers out	(132,120)	(48,180)	(73,800)	(28,682)	(282,782)
<b>Total transfers</b>	<b>(132,120)</b>	<b>(7,492)</b>	<b>(73,800)</b>	<b>(28,682)</b>	<b>(242,094)</b>
<b>Capital contributions</b>	<b>-</b>	<b>-</b>	<b>174,976</b>	<b>-</b>	<b>174,976</b>
<b>Change in net position</b>	<b>186,758</b>	<b>178,646</b>	<b>117,227</b>	<b>29,486</b>	<b>337,141</b>
<b>Net position (deficit), beginning of year</b>	<b>5,647,497</b>	<b>(432,614)</b>	<b>1,373,591</b>	<b>15,159</b>	<b>6,603,633</b>
<b>Net position (deficit), end of year</b>	<b>\$ 5,834,255</b>	<b>\$ (253,968)</b>	<b>\$ 1,490,818</b>	<b>\$ 44,645</b>	<b>\$ 7,115,750</b>

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

CITY OF FELLSMERE, FLORIDA

**Statement of Cash Flows**

Enterprise Funds  
For the Year Ended September 30, 2014

	Water Department	Community Development	Wastewater Service	Stormwater System - Nonmajor Fund	Total
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 832,491	\$ 540,759	\$ 255,043	\$ 63,125	\$ 1,691,418
Internal activity - receipts from other funds	(79,290)	(247,700)	-	-	(326,990)
Payments to suppliers	(273,916)	(111,817)	(227,874)	(4,513)	(618,120)
Payments for personnel services	(58,677)	(173,826)	-	-	(232,503)
Internal activity - payments to other funds	-	-	57,690	-	57,690
<b>Net cash provided by operating activities</b>	<b>420,608</b>	<b>7,416</b>	<b>84,859</b>	<b>58,612</b>	<b>571,495</b>
<b>Cash flows from noncapital financing activities</b>					
Transfers from other funds	-	40,688	-	-	40,688
Transfers to other funds	(132,120)	(48,180)	(73,800)	(28,682)	(282,782)
<b>Net cash used in noncapital financing activities</b>	<b>(132,120)</b>	<b>(7,492)</b>	<b>(73,800)</b>	<b>(28,682)</b>	<b>(242,094)</b>
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(65,501)	-	-	-	(65,501)
Principal paid on long-term debt	(57,359)	-	-	-	(57,359)
Interest paid on long-term debt	(67,366)	-	-	-	(67,366)
<b>Net cash used in capital and related financing activities</b>	<b>(190,226)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(190,226)</b>
<b>Cash flows from investing activities</b>					
Interest on investments	10,405	486	-	-	10,891
<b>Net increase in cash and cash equivalents</b>	<b>108,667</b>	<b>410</b>	<b>11,059</b>	<b>29,930</b>	<b>150,066</b>
Cash and cash equivalents, beginning of year	1,337,557	121	43,475	14,475	1,395,628
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,446,224</b>	<b>\$ 531</b>	<b>\$ 54,534</b>	<b>\$ 44,405</b>	<b>\$ 1,545,694</b>
<b>Classified on the statement of net position as:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	234,432	531	-	44,405	279,368
Restricted cash and cash equivalents	1,211,792	-	54,534	-	1,266,326
<b>\$ 1,446,224</b>	<b>\$ 531</b>	<b>\$ 54,534</b>	<b>\$ 44,405</b>	<b>\$ 1,545,694</b>	

continued...

CITY OF FELLSMERE, FLORIDA

**Statement of Cash Flows**

Enterprise Funds  
For the Year Ended September 30, 2014

	Water Department	Community Development	Wastewater Service	Stormwater System - Nonmajor Fund	Total
Cash flows from operating activities					
Operating income	\$ 375,839	\$ 185,652	\$ 16,051	\$ 58,168	\$ 635,710
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	135,475	1,393	41,152	-	178,020
Change in:					
Accounts receivable	(10,245)	49,302	187	444	39,688
Advance to other funds	(79,290)	-	-	-	(79,290)
Inventories	(403)	-	-	-	(403)
Accounts payable	(6,157)	9,392	(31,021)	-	(27,786)
Accrued liabilities	282	409	-	-	691
Advance from other funds	-	(247,700)	57,690	-	(190,010)
Accrued compensated absences	886	(173)	-	-	713
Unearned revenues	4,221	9,141	800	-	14,162
Net cash provided by operating activities	<u>\$ 420,608</u>	<u>\$ 7,416</u>	<u>\$ 84,859</u>	<u>\$ 58,612</u>	<u>\$ 571,495</u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets from government	-	-	174,976	-	174,976
					concluded

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



## NOTES TO FINANCIAL STATEMENTS

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fellsmere, Florida (the “City”), located in Indian River County (the “County”), was incorporated in 1911. The City was created under the legal authority of Article VIII of the Florida Constitution, Florida Statutes’ Chapter 165 and pursuant to the Laws of Florida 11480, Act of 1925. The City operates under a Council - manager form of government whereby the mayor is elected from the five members of Council. The City provides the following services: General and Administrative Services, Public Safety-Police, Public Works-Streets, Culture and Recreation, Water, Wastewater Systems, and Community Development. The City has a population of 5,338.

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

#### Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the City is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and as such, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government. The City reported no discretely presented component units for the year ended September 30, 2014.

#### *Blended Component Unit*

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

Community Redevelopment Agency (CRA) - The governing body of the CRA is the Fellsmere City Council. The CRA was formed in November 2005 and is accounted for in a special revenue fund entitled “Community Redevelopment Agency Fund”. Florida Statute Section 163.387(8) requires an independent audit of the fund each fiscal year, and submission of a report of such audit. The City has presented the CRA as a major fund of the City to satisfy this requirement, simply due to the fact that the scope of an audit for a major fund is broader than that of a non-major fund.

#### *Government-wide and Fund Financial Statements*

The government wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

#### *Economic Resources Measurement Focus and Accrual Basis of Accounting*

The government wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables. The City is reporting no fiduciary funds for the year ended September 30, 2014.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except expenditure-driven grants which must be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

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

The *CDBG Gas Supply Fund* accounts for revenues and expenses associated with the installation of natural gas lines within the City.

The *Community Redevelopment Agency Fund* accounts for the activities of the Community Redevelopment Agency related to economic initiatives within the City.

The City reports the following major proprietary funds:

The *Water Department Fund* accounts for the activities in providing water services to the public.

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

The *Wastewater Service Fund* accounts for the activities in providing wastewater services to the public.

Additionally, the City reports the following 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.

*Capital Projects Funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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 and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

### Assets, Liabilities and Equity

#### *Cash and Cash Equivalents*

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

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

### *Deposits*

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

The City had deposits only with qualifying public depositories as of September 30, 2014.

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

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

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

Savings accounts in state-certified qualified public depositories.

Certificates of deposit in state-certified qualified public depositories.

Direct obligations of the U.S. Treasury.

### *Interfund Receivables and Payables*

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

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

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

### *Accounts Receivable*

Receivables consist of trade receivables, due from other governments, and an amount due on a construction loan, and are recorded at the net realizable value. The City has no allowance for doubtful accounts as of September 30, 2014, as all receivables are considered collectible.

### *Inventory*

Inventory at September 30, 2014 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.

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

### *Restricted Net Position*

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

### *Capital Assets*

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

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

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

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

### *Compensated Absences*

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

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

### *Long-term Obligations*

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *Fund Equity*

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

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

### *Donation of Limited Partnership Interests*

The City owns an interest in a limited partnership, received as a donation in a prior year, described as follows:

Pennrich Associates Limited Partnership - 14.82% interest in profit, loss and capital.

At December 31, 2014, the partnership's income tax return reported a positive capital account balance. However, there is no carrying value recorded on the City's books and records inasmuch as there is no readily available method of determining fair market value. In accordance with the partnership agreement, the City will not be required or obligated to make any further capital contributions.

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. The City utilizes various investment instruments which are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

## 2. BUDGETARY INFORMATION

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

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

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

The budget may be formally amended by the City Council at any time during the fiscal year; however, in practice it is rarely amended. 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, 2014. Appropriations, except open project appropriations, lapse at the end of each fiscal year.

The appropriated budget is prepared by fund, function, and department. Shifts in appropriations within fund totals may be done on the authority of the City Manager. Transfers of appropriations between funds require approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations made by the City Council) is the fund level. There were no budget adjustments during the year ended September 30, 2014.



# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

### 3. EXCESS OF EXPENDITURES OVER BUDGET

Budgeted expenditures exceeded revenues in the Community Redevelopment Agency Fund. However, this is pursuant to the legally adopted budget to expend available fund equity (cash carry forward) and does not constitute a deficit.

### 4. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of September 30, 2014:

	Primary Government
Statement of Net Position	
Cash and cash equivalents	\$ 566,962
Restricted cash and cash equivalents	1,744,602
	<hr/>
Total	<u>\$ 2,311,564</u>
Deposits and investments	
Bank deposits:	
Checking and savings accounts	\$ 2,311,064
Cash on hand	500
	<hr/>
Total	<u>\$ 2,311,564</u>

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. At September 30, 2014, the carrying amount of the City's deposits with banks was \$2,311,064 and the bank balance was \$2,459,586. All the deposits were covered by the FDIC or collateralized in accordance with the "Florida Security for Public Deposits Act". Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral having a market value equal to 50% of the average daily balance for each month that all public deposits are in excess of any applicable deposit insurance. If the public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

The City maintains a cash account at a financial institution located in Indian River County, Florida. The account was entirely covered by government backed insurance programs (i.e., FDIC) or was collateralized by the respective financial institutions and/or investments, as required by Florida Statutes, throughout the fiscal year ended September 30, 2014.

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

Restricted cash in the Governmental Funds at September 30, 2014 consists of \$520,791 in the infrastructure fund, which must be used only for expenditures and costs associated with the construction, reconstruction, or improvement of public domain ("infrastructure") projects, or for the purchase of certain vehicles and equipment with at least a five year life expectancy. Restricted cash also includes \$45,109 in unspent community redevelopment agency trust funds. Under Florida law, these funds may be used only for the rehabilitation of slum or blighted areas within the City. Restricted cash includes \$44,394 in unspent local option gas tax funds. Under Florida law, these funds may be used only for the purchase, construction, maintenance and operation of transportation facilities and road and street right-of-ways. The balance of restricted cash in the governmental funds is housed within various special revenue funds and is restricted to the specific purpose of that fund.

Restricted cash in the Enterprise Funds at September 30, 2014 consists of unspent water and wastewater system impact fees and interest earned on these funds of \$686,075 and \$28,949 respectively. 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 \$440,082 and customer deposits of the water and wastewater systems of \$85,635 and \$25,585, respectively.

*Credit Risk.* Statutes and various bond indentures authorized the City to invest in obligations of the U.S. Treasury, governmental agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, U.S. government or federal agency obligation repurchase agreements, obligations of the State of Florida or any of its political subdivisions rated as investment grade by not less than one standard rating service, and mutual funds composed of the types of investment vehicles named previously.

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

## 5. RECEIVABLES

All receivables are anticipated to be collected.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of September 30, 2014, there were no amounts reported as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2014, there was \$186,473 reported as unearned revenue.

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 19,104	\$ 34,197
Accrued liabilities	31,647	3,653
Accrued interest on long-term debt	-	424
	<hr/>	<hr/>
Total payables	<u>\$ 50,751</u>	<u>\$ 38,274</u>

### 7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2014, was as follows:

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General fund	\$ 21,330	\$ -
Community redevelopment agency	-	30,600
Community development fund	9,270	-
	<hr/>	<hr/>
Totals	<u>\$ 30,600</u>	<u>\$ 30,600</u>

The Community Redevelopment Agency required funding from the General and Community Development funds in prior years.

Advances to and from primary government funds

	Advances to Other Funds	Advances from Other Funds
General fund	\$ 247,000	\$ -
Water department fund	298,000	-
Community development fund	-	247,000
Wastewater service fund	-	298,000
	<hr/>	<hr/>
Totals	<u>\$ 545,000</u>	<u>\$ 545,000</u>

Funds are advanced temporarily to the Community Development and Wastewater Service funds to support operations in those areas.

CITY OF FELLSMERE, FLORIDA

Notes to Financial Statements

For the year ended September 30, 2014, interfund transfers consisted of the following:

Transfers Out	Transfers in					Totals
	General Fund	CDBG Gas Supply Fund	Community Redevelopment Agency	Nonmajor Governmental Funds	Community Development Fund	
General fund	\$ -	\$ -	\$ 2,266	\$ 395	\$ 20,400	\$ 23,061
Infrastructure fund	-	8,946	-	189,639	-	198,585
CDBG gas supply fund	6,178	-	-	-	2,768	8,946
Community redevelopment agency	-	-	-	65,645	-	65,645
Nonmajor governmental funds	89,987	-	-	10,543	-	100,530
Water department fund	123,360	-	-	-	8,760	132,120
Community development fund	48,180	-	-	-	-	48,180
Wastewater service fund	65,040	-	-	-	8,760	73,800
Stormwater system - nonmajor proprietary fund	-	-	-	28,682	-	28,682
<b>Totals</b>	<b>\$ 332,745</b>	<b>\$ 8,946</b>	<b>\$ 2,266</b>	<b>\$ 294,904</b>	<b>\$ 40,688</b>	<b>\$ 679,549</b>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

### 8. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 6,626,696	\$ -	\$ -	\$ -	\$ 6,626,696
Construction in progress	528,529	175,054	(9,980)	(323,627)	369,976
	<u>7,155,225</u>	<u>175,054</u>	<u>(9,980)</u>	<u>(323,627)</u>	<u>6,996,672</u>
Capital assets, being depreciated:					
Buildings	5,332,556	145,840	-	2,000	5,480,396
Improvements other than buildings	2,770,049	140,119	-	323,957	3,234,125
Machinery and equipment	1,432,427	64,988	-	(2,330)	1,495,085
Infrastructure	7,431,693	-	-	-	7,431,693
	<u>16,966,725</u>	<u>350,947</u>	<u>-</u>	<u>323,627</u>	<u>17,641,299</u>
Less accumulated depreciation for:					
Buildings	(1,471,737)	(265,448)	-	-	(1,737,185)
Improvements other than buildings	(2,120,900)	(131,850)	-	-	(2,252,750)
Machinery and equipment	(1,283,572)	(57,186)	-	-	(1,340,758)
Infrastructure	(2,739,905)	(380,939)	-	-	(3,120,844)
	<u>(7,616,114)</u>	<u>(835,423)</u>	<u>-</u>	<u>-</u>	<u>(8,451,537)</u>
Total capital assets being depreciated, net	<u>9,350,611</u>	<u>(484,476)</u>	<u>-</u>	<u>323,627</u>	<u>9,189,762</u>
Governmental activities capital assets, net	<u>\$ 16,505,836</u>	<u>\$ (309,422)</u>	<u>\$ (9,980)</u>	<u>\$ -</u>	<u>\$ 16,186,434</u>

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 264,034	\$ 55,234	\$ -	\$ -	\$ 319,268
Construction in progress	230,999	8,198	-	-	239,197
	<u>495,033</u>	<u>63,432</u>	<u>-</u>	<u>-</u>	<u>558,465</u>
Capital assets, being depreciated:					
Water plant	2,782,829	-	-	-	2,782,829
Water lines	3,568,793	2,069	-	-	3,570,862
Water tank	411,683	-	-	-	411,683
Vehicle and equipment	72,222	-	-	-	72,222
Equipment	31,644	-	-	-	31,644
Wastewater lines	1,926,351	174,976	-	-	2,101,327
	<u>8,793,522</u>	<u>177,045</u>	<u>-</u>	<u>-</u>	<u>8,970,567</u>
Less accumulated depreciation for:					
Water plant	(376,535)	(55,657)	-	-	(432,192)
Water lines	(1,048,493)	(71,379)	-	-	(1,119,872)
Water tank	(153,695)	(8,234)	-	-	(161,929)
Vehicle and equipment	(71,794)	(205)	-	-	(71,999)
Equipment	(26,609)	(1,393)	-	-	(28,002)
Wastewater lines	(308,132)	(41,152)	-	-	(349,284)
	<u>(1,985,258)</u>	<u>(178,020)</u>	<u>-</u>	<u>-</u>	<u>(2,163,278)</u>
Total capital assets being depreciated, net	<u>6,808,263</u>	<u>(975)</u>	<u>-</u>	<u>-</u>	<u>6,807,289</u>
Business-type activities capital assets, net	<u>\$ 7,303,296</u>	<u>\$ 62,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,365,754</u>

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

<b>Depreciation of governmental activities by function</b>	
General government	\$ 219,310
Public safety	23,496
Transportation	438,072
Cultural and recreation	154,545
Total governmental activities	<u>\$ 835,423</u>
<b>Depreciation of business-type activities by function</b>	
Water department	\$ 135,475
Community development	1,393
Wastewater service	41,152
Total business-type activities	<u>\$ 178,020</u>

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

### Construction Commitments

The City has various construction commitments outstanding at September 30, 2014. The major commitments include the following:

Project	Spent To-date	Remaining Commitment	Major Funding Source
CDBG ED Gas Supply	\$ 1,110,711	\$ 89,270	Grant
FOA Transportation Access	82,183	690,334	Grant
IR Lagoon National Scenic Byway	110,298	354,739	Grant
FFWCC/FBIP/Boat Ramp	4,250	1,119,000	Grant/Developer contributions
FDEP JH Pres/RTP	3,407	75,000	Grant
Historic Train Station	4,780	95,000	Grant
<b>Totals</b>	<b>\$ 1,315,629</b>	<b>\$ 2,423,343</b>	

## 9. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Capital improvement bond	\$ 2,831,798	\$ -	\$ (61,419)	\$ 2,770,379	\$ 64,240
Compensated absences	116,388	1,123	(25,555)	91,956	9,196
<b>Total governmental activities</b>	<b>\$ 2,948,186</b>	<b>\$ 1,123</b>	<b>\$ (86,974)</b>	<b>\$ 2,862,335</b>	<b>\$ 73,436</b>

### Capital Improvement Bond

In December 2008, the City authorized a \$3,000,000, 30-year capital improvement revenue bond, Series 2008, to fund the renovation of the Historic Fellsmere School Building. The Bond was purchased by a local financial institution, at a stated interest rate of 4.5%. Interest is payable monthly, with principal payments commencing on July 1, 2010. The bonds provide for a pledge of receipts from the one-cent infrastructure sales surtax and upon the expiration of the sales surtax, the bond will be further secured by proceeds of the City's half-cent sales tax. Repayment of the bonds began in October 2010.

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
Construction loans	\$ 337,560	\$ -	\$ (15,360)	\$ 322,200	\$ 15,775
Revenue bond	1,299,000	-	(42,000)	1,257,000	43,000
Total installment debt	1,636,560	-	(57,360)	1,579,200	58,775
Compensated absences	6,665	887	(173)	7,379	738
<b>Total business-type activities</b>	<b>\$ 1,643,225</b>	<b>\$ 887</b>	<b>\$ (57,533)</b>	<b>\$ 1,586,579</b>	<b>\$ 59,513</b>

### Construction Loans

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. Both loans are to be repaid with 40 semi-annual payments ending in 2031. Interest is charged at 2.61% and 2.71%.

### Revenue Bond Payable

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

The bond constitutes a special obligation of the City secured by a lien on and pledge of the gross revenues of the water system. Additionally, the bond is serviced by a deficiency pledge of the City's half-cent sales tax revenue to the extent needed each month to provide for any deficiency in water revenues. The City's half-cent sales tax revenue amounted to approximately \$348,000 in 2014.



# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

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

Year Ended September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 64,240	\$ 123,342	\$ 58,775	\$ 65,062
2016	66,892	120,690	61,196	62,703
2017	70,263	117,319	63,632	60,243
2018	73,491	114,092	66,080	57,682
2019	76,867	110,716	69,538	55,017
2020-2024	440,044	497,868	390,023	230,677
2025-2029	552,248	386,663	475,498	144,662
2030-2034	690,109	244,936	394,458	42,220
2035-2039	736,225	75,620	-	-
	<u>\$ 2,770,379</u>	<u>\$ 1,791,246</u>	<u>\$ 1,579,200</u>	<u>\$ 718,266</u>

## 10. 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, and unemployment insurance, for which the City retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage.

## 11. PROPERTY TAXES

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

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State that regulate tax assessments are designed to assure a consistent property valuation method. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. For the year ended September 30, 2014, the millage rate assessed by the City was approximately 5.619 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.

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

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. The total assessed value at January 1, 2014, upon which the 2013 - 2014 levy was based, was approximately \$88.3 million.

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.

## 12. 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.

## 13. BENEFIT PLANS

### *Governmental Money Purchase Plan and Trust*

Beginning October 1, 2008, the City established a governmental money purchase defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The plan is administered by an independent plan administrator through an administrative service agreement. Participation in the plan is limited to charter officers and department heads (participants) whereby the employees defer a portion of their salary in the form of plan contributions. In addition to employee contributions, the City has agreed to contribute 12% of employee salaries and wages for employees who contributed 4% in 2014. Although the charter officers and department heads may participate in both the deferred compensation plan and the governmental purchase plan and trust, the City will contribute to only one plan on their behalf. Total City contributions to the plan amounted to \$54,566 for the fiscal year ended September 30, 2014. The money purchase plan is not available to employees until termination, retirement, death, or financial hardship.

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

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

### *Retirement Health Savings Plan*

Beginning October 1, 2006 the City established a health reimbursement account and a retirement health savings plan for the benefit of the employees. Both accounts are administered by an independent plan administrator through administrative service agreements. The City credits a flat dollar amount to the health reimbursement account which will vary pursuant to the annual budget appropriation. That amount is then used to pay eligible health claims. For the year ended September 30, 2014, the City credited \$5,000 to each employee's account, and \$6,200 to those employees with dependent coverage, which amounted to \$152,000. The City maintains control of the funds in the health reimbursement account and pays all claims as submitted by the plan administrator. All full-time employees participate in the plan. In October of each year, a percentage (as determined by the City Council) of the employee's remaining balance in the health reimbursement account is swept from that account into the retirement health savings plan. For the year ended September 30, 2014, the percent contributed to the retirement health savings account was 20% of each employee's remaining balance in the health reimbursement account, which amounted to \$87,600.

The retirement health savings account is administered by an independent plan administrator who also manages the associated funds. All amounts deposited into the fund, all property and rights purchased with those amounts, and all income attributable to those accounts are solely the property and rights of the City employees and their beneficiaries, and are not accessible by the 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.

## 14. 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 12% of employee salaries and wages for employees who contributed 4% in 2014 for 2014. Employer and employee contributions to the plan were \$79,637 and \$74,324, respectively in 2014. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship.

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

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.

### 15. NET INVESTMENT IN CAPITAL ASSETS

The composition of the City's net investment in capital assets as of September 30, 2014, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 6,996,672	\$ 558,465
Capital assets being depreciated, net	<u>9,189,762</u>	<u>6,807,289</u>
	16,186,434	7,365,754
Related debt:		
Total bonds and notes payable	<u>2,770,379</u>	<u>1,579,200</u>
Net investment in capital assets	<u>\$ 13,416,055</u>	<u>\$ 5,786,554</u>

# CITY OF FELLSMERE, FLORIDA

## Notes to Financial Statements

### 16. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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	CDBG Gas Supply	Community Redevelopment Agency	Nonmajor Governmental Funds	Totals
Nonspendable:						
Advances to other funds	\$ 247,000	\$ -	\$ -	\$ -	\$ -	\$ 247,000
Restricted for:						
Capital projects	-	626,586	3,940	34,355	145,230	810,111
Brookside Cemetery	35,565			-	-	35,565
Total restricted	<u>35,565</u>	<u>626,586</u>	<u>3,940</u>	<u>34,355</u>	<u>145,230</u>	<u>845,676</u>
Unassigned (deficit)	<u>257,033</u>	<u>-</u>	<u>-</u>	<u>(19,846)</u>	<u>(3,594)</u>	<u>233,593</u>
Total fund balances, governmental funds	<u>\$ 539,598</u>	<u>\$ 626,586</u>	<u>\$ 3,940</u>	<u>\$ 14,509</u>	<u>\$ 141,636</u>	<u>\$ 1,326,269</u>



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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

CITY OF FELLSMERE, FLORIDA

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 September 30, 2014

	Special Revenue Funds				
	Local Option Gas Tax	CDBG Phase VI	RTP - Rail Trail Park	FDEP Trail Head Preserve	FRDAP Little League Park
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-
Due from other governments	23,112	-	-	-	-
Restricted cash and cash equivalents	44,394	-	-	-	-
<b>Total assets</b>	<b>\$ 67,506</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities</b>					
Negative equity in pooled cash	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-
Unearned revenues	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficit)</b>					
Restricted	67,506	-	-	-	-
Unrestricted (deficit)	-	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>67,506</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 67,506</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>





Special Revenue Funds				
FRDAP Grant Park	FDEP Trans Florida Rail Trail	HC&J Stormwater Grant Park	FRDAP Trail Head Preserve LWCF	FFWCC Boat Ramp
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	4,250
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,250</u>
\$ -	\$ -	\$ -	\$ 3,102	\$ 4,250
-	-	-	-	-
-	-	-	-	-
-	-	-	3,102	4,250
-	-	-	-	-
-	-	-	(3,102)	-
-	-	-	(3,102)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,250</u>

continued...

CITY OF FELLSMERE, FLORIDA

**Combining Balance Sheet**  
 Nonmajor Governmental Funds  
 September 30, 2014

	Special Revenue Funds				
	FDEP Wetlands Park LWCF	Marian Fell Library	Historic Train Station Master's House	Special Projects	Save Our Old School
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 91,338	\$ -
Accounts receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
Restricted cash and cash equivalents	-	10,865	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>10,865</b>	<b>-</b>	<b>\$ 91,338</b>	<b>\$ -</b>
<b>Liabilities</b>					
Negative equity in pooled cash	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	11,357	-	-	-
Unearned revenues	-	-	-	14,018	-
<b>Total liabilities</b>	<b>-</b>	<b>11,357</b>	<b>-</b>	<b>14,018</b>	<b>-</b>
<b>Fund balances</b>					
Restricted	-	-	-	77,320	-
Unrestricted	-	(492)	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>(492)</b>	<b>-</b>	<b>77,320</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 10,865</b>	<b>\$ -</b>	<b>\$ 91,338</b>	<b>\$ -</b>



Special Revenue Funds			
Indian River Lagoon National Scenic Byway	FOA Transportation Access	FDEP City Complex Master Drainage	Total
\$ -	\$ -	\$ -	\$ 91,338
-	-	-	4,250
-	31,582	-	54,694
<u>899</u>	<u>-</u>	<u>-</u>	<u>56,158</u>
<u>\$ 899</u>	<u>\$ 31,582</u>	<u>\$ -</u>	<u>\$ 206,440</u>
\$ -	\$ 30,937	\$ -	\$ 38,289
899	241	-	12,497
-	-	-	14,018
<u>899</u>	<u>31,178</u>	<u>-</u>	<u>64,804</u>
-	404	-	145,230
-	-	-	(3,594)
<u>-</u>	<u>404</u>	<u>-</u>	<u>141,636</u>
<u>\$ 899</u>	<u>\$ 31,582</u>	<u>\$ -</u>	<u>\$ 206,440</u>

concluded

CITY OF FELLSMERE, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended September 30, 2014

	Special Revenue Funds				
	Local Option Gas Tax	CDBG Phase VI	RTP - Rail Trail Park	FDEP Trail Head Preserve	FRDAP Little League Park
Revenues					
Taxes:					
Motor fuel	\$ 132,060	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Other revenue	-	-	-	-	-
<b>Total revenues</b>	<b>132,060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures					
Current:					
General government	-	-	-	-	-
Transportation	31,736	-	-	-	-
Capital outlay	-	17,745	4,423	3,746	1,310
<b>Total expenditures</b>	<b>31,736</b>	<b>17,745</b>	<b>4,423</b>	<b>3,746</b>	<b>1,310</b>
Revenues over (under) expenditures	100,324	(17,745)	(4,423)	(3,746)	(1,310)
Other financing sources (uses)					
Transfers in	-	17,745	4,423	3,746	1,310
Transfers out	(100,530)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(100,530)</b>	<b>17,745</b>	<b>4,423</b>	<b>3,746</b>	<b>1,310</b>
Net changes in fund balances (deficits)	(206)	-	-	-	-
Fund balances (deficits), beginning of year	67,712	-	-	-	-
<b>Fund balances (deficits), end of year</b>	<b>\$ 67,506</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



Special Revenue Funds				
FRDAP Grant Park	FDEP Trans Florida Rail Trail	HC&J Stormwater Grant Park	FRDAP Trail Head Preserve LWCF	FFWCC Boat Ramp
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	42,268	-
-	1,750	-	-	4,250
-	1,750	-	42,268	4,250
-	-	-	-	-
-	-	-	-	-
4,823	3,407	3,992	126,087	4,250
4,823	3,407	3,992	126,087	4,250
(4,823)	(1,657)	(3,992)	(83,819)	-
4,823	1,657	3,992	55,333	-
-	-	-	-	-
4,823	1,657	3,992	55,333	-
-	-	-	(28,486)	-
-	-	-	25,384	-
\$ -	\$ -	\$ -	\$ (3,102)	\$ -

continued...

CITY OF FELLSMERE, FLORIDA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

September 30, 2014

	Special Revenue Funds				
	FDEP Wetlands Park LWCF	Marian Fell Library	Historic Train Station Master's House	Special Projects	Save Our Old School
Revenues					
Taxes:					
Motor fuel	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	25,000	-	-	-
Other revenue	-	-	4,385	1,986	-
<b>Total revenues</b>	<b>-</b>	<b>25,000</b>	<b>4,385</b>	<b>1,986</b>	<b>-</b>
Expenditures					
Current:					
General government	-	492	-	3,406	-
Transportation	-	-	-	-	-
Capital outlay	9,550	115,645	4,780	-	3,001
<b>Total expenditures</b>	<b>9,550</b>	<b>116,137</b>	<b>4,780</b>	<b>3,406</b>	<b>3,001</b>
Revenues over (under) expenditures	(9,550)	(91,137)	(395)	(1,420)	(3,001)
Other financing sources (uses)					
Transfers in	9,549	90,645	395	-	3,001
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>9,549</b>	<b>90,645</b>	<b>395</b>	<b>-</b>	<b>3,001</b>
Net changes in fund balances (deficits)	(1)	(492)	-	(1,420)	-
Fund balances (deficits), beginning of year	1	-	-	78,740	-
<b>Fund balances (deficits), end of year</b>	<b>\$ -</b>	<b>\$ (492)</b>	<b>\$ -</b>	<b>\$ 77,320</b>	<b>\$ -</b>



Special Revenue Funds			
Indian River Lagoon National Scenic Byway	FOA Transportation Access	FDEP City Complex Master Drainage	Total
\$ -	\$ -	\$ -	\$ 132,060
-	41,753	20,250	129,271
-	17,570	-	29,941
-	59,323	20,250	291,272
(1)	(1)	35,649	39,545
-	-	-	31,736
44,161	69,866	-	416,786
44,160	69,865	35,649	488,067
(44,160)	(10,542)	(15,399)	(196,795)
59,060	10,543	28,682	294,904
-	-	-	(100,530)
59,060	10,543	28,682	194,374
14,900	1	13,283	(2,421)
(14,900)	403	(13,283)	144,057
\$ -	\$ 404	\$ -	\$ 141,636

concluded

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## INTERNAL CONTROL AND COMPLIANCE

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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*

April 24, 2015

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

We have audited, in accordance with the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 24, 2015.

#### 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2014-001 that we consider to be a significant deficiency.

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 a 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.

## Compliance and Other Matters

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

### City of Fellsmere, Florida's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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 City'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.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS'  
MANAGEMENT LETTER

April 24, 2015

Honorable Mayor and  
Members of City Council  
City of Fellsmere, Florida  
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, 2014 and have issued our report thereon dated April 24, 2015.

Auditor's Responsibility

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

Other Report

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which is dated April 24, 2015, 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 report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below under the heading Prior Year Findings.

Prior Year Findings

**Finding 2011-01**

Control issue: Due to the small office environment in which the City operates, and the heavy reliance on the Finance Director, oversight by the City Manager and the City Council is vital to ensuring proper control over the financial reporting process. This issue is an expected consequence of the City's size and budgetary constraints. The City Council provides active review and oversight of the accounting function to mitigate the potential for material misstatement from fraud or error.

Status: The City Council and City Manager have continued to remain vigilant and involved in the financial matters of the City. The City Council and City Manager review the check register and financial reports monthly. Additionally, the City Manager or Mayor provides the second manual signature on all checks issued. This finding will be repeated for 2014.

#### 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 for both the City of Fellsmere, Florida and its component unit, the Community Redevelopment Agency, is disclosed in the notes to the financial statements.

#### Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report 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 identification of the specified 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.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. 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.

#### Special District Component Units

Section 10.554(1)(i)5.d. Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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 determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

#### Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations except as noted in the repeat prior year finding listed above.

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

**Purpose of this Letter**

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

*Rehmann Lobson LLC*

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INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS  
REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL*

April 24, 2015

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

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* (the "City") as of and for the year ended September 30, 2014, which collectively comprise the basic financial statements, and have issued our report thereon dated April 24, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133 and Chapter 10.550, *Rules of the Auditor General* and is not a required part of the basic financial statements of the City. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state projects is fairly stated in all material respects in relation to the basic financial statements as a whole.



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# CITY OF FELLSMERE, FLORIDA

## Schedule of Expenditures of Federal Awards and State Projects For the Year Ended September 30, 2014

Federal Agency / State Agency / Cluster / Program Title	CFDA Number	Pass-through / Grantor Number	Expenditures
<b>Federal Awards</b>			
U.S. Department of Housing and Urban Development Florida Department of Economic Opportunity Small Cities Community Development Block Grant	14.229	13DB-OI-10-40-02-E 03	\$ 1,085,596
U.S. Department of the Interior National Park Service Florida Department of Environmental Protection Trailhead Preserve LWCF Project	15.916	12-000582	45,591
U.S. Department of Commerce, Economic Development Administration Access Roads, Florida Organic Aquaculture	11.300	04-01-06759	16,060
U.S. Environmental Protection Agency St. John's Water Mangement District FDEP City Complex Master Drainage Plan	66.456	#27575	20,250
U.S. Department of Justice Florida Department of Justice Local Law Enforcement Block Grant	16.738	2014-JAGD-INRI-4-E6-137	1,000
Bulletproof Vest Partnership Program	16.607	OMB #1121-0235	605
<b>Total Federal Awards</b>			<b>\$ 1,169,102</b>
<b>State Projects</b>			
Florida Department of Transportation Access Roads, Florida Organic Aquaculture	55.032	AR-331	25,693
Florida Department of State Marian Fell Library	45.031	S1413	25,000
<b>Total State Projects</b>			<b>\$ 50,693</b>

See notes to schedule of expenditures of federal awards and state projects.

# CITY OF FELLSMERE, FLORIDA

## Notes to Schedule of Expenditures of Federal Awards and State Projects

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state projects (the “Schedule”) includes the federal grant and state assistance activity of the City of Fellsmere, Florida (the “City”) under programs of the federal and state governments for the year ended September 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND MAJOR STATE PROJECT AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

April 24, 2015

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Fellsmere, Florida (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### *Opinion on Each Major Federal Program*

In our opinion, the City 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, 2014.

### Report on Internal Control Over Compliance

Management of Name of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

### *Purpose of this Report*

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

# CITY OF FELLSMERE, FLORIDA

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified?  X  yes \_\_\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? \_\_\_\_\_ yes  X  no

Identification of major programs:

#### CFDA Number

#### Name of Federal Program or Cluster

14.229

Community Development Block Grant Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes  X  no

# CITY OF FELLSMERE, FLORIDA

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### Finding 2014-001 - Segregation of Duties/Audit Adjustments

Finding Type. Significant deficiency in internal control over financial reporting

Criteria. All Florida governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.) A key element of internal controls is the segregation of incompatible duties within the accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Condition. As is the case with many organizations of similar size, the City lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. The City has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval. The financial reporting process is impacted as journal entries are the primary method of recording transactions into the general ledger.

Cause. This condition is primarily the result of staffing constraints typical of smaller organizations.

Effect. As a result of this condition, the City is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis. For the year ended September 30, 2014, this resulted in several significant audit adjustments.

Recommendation. There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the City to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible. Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustments.

View of Responsible Officials. Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff, and applies its judgment in determining how best to allocate the City's resources to provide an appropriate balance between sound internal controls and fiscal prudence. Management agrees with the adjustments proposed by its auditors, and they have been posted in the City's records.



# CITY OF FELLOSMERE, FLORIDA

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

# CITY OF FELLOSMERE, FLORIDA

## Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2014

The City did not require a single audit in 2013.

