

**CITY OF GROVELAND, FLORIDA
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2010**

**CITY OF GROVELAND, FLORIDA
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2010**

Mayor Richard Smith

Vice-Mayor John Griffin

Councilman James Gearhart

Councilman James Smith

Councilman Evelyn Wilson

City Manager & Finance Director Florence Miller

City Clerk. Teresa Begley

Legal Counsel Anita Geraci-Carver

Public Works Director Robert Holland

Chief of Police Thomas R. Merrill

Fire Chief William M. Morgan, Jr.

**CITY OF GROVELAND, FLORIDA
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2010**

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Principal City Officials

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CLERMONT OFFICE

Jerry D. Brown, C.P.A.

Herbert John Greenlee, Jr. C.P.A.

Suzanne M. Brownlee, C.P.A.



**GREENLEE
KURRAS
RICE &
BROWN, PA**
CERTIFIED PUBLIC
ACCOUNTANTS

MOUNT DORA OFFICE

John S. Rice, C.P.A.

Patricia A. Sykes-Amos, C.P.A.

C. L. (Chip) Garner, C.P.A.

Dorothy A. Kurras, C.P.A.

Keire Rice Hosley, C.P.A.

David A. Donofrio, C.P.A.

Deborah R. Mullins, C.P.A.

Allan L. Silbernagel, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Groveland, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Groveland, Florida, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Groveland, Florida's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Groveland, Florida, as September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated May 4, 2011 on our consideration of the City of Groveland, Florida's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

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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** and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 41 through 47, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Groveland, Florida's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Greenlee, Kurras, Rice & Brown, P.A.

Mount Dora, Florida
May 4, 2011

Management's Discussion and Analysis

As management of the City of Groveland we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements, which follow this section.

Financial Highlights

The City's assets exceeded its liabilities as of September 30, 2010 by \$43,837,735 (net assets). Of this amount, \$3,212,630 (unrestricted net assets) may be used to meet the City's ongoing obligations to its customers and creditors. The City's total net assets decreased \$238,071.

The City outstanding debt is \$14,381,004 and accrued compensated absences for its employees is \$320,779. The total amount outstanding at September 30, 2010 was \$14,701,783 of which \$557,647 is classified as current and \$14,144,136 as long-term.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also includes supplementary information that explains in more detail some of the information in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements of the City provide a broad overview of the City's finances and report information about the City using accounting methods similar to those used by private sector companies.

The Statement of Net Assets presents the City's asset less its liabilities at year end. The difference between these assets and liabilities is reported as net assets. Over time, increases or decreases in net assets 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 City's net assets changed during the fiscal year. All changes in net assets 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 periods.

The government-wide financial statements can be found on pages 12 and 13 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has three funds; the general fund, the proprietary fund and a special revenue fund.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these funds 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. As a result of this difference in focus, a reconciliation is provided in the notes to the financial statements between the fund and government-wide statements.

Special Revenue Funds - Special Revenue funds account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes. The City's special revenue fund is a community redevelopment agency fund (CRA) that is specifically designed for redevelopment within the City's delineated blighted area.

The basic governmental fund financial statement can also be found on pages 14 through 17 of this report.

Proprietary Funds - Proprietary funds account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 22 of this report.

Other information - In addition to the basic financial statements and notes, this report also present certain supplementary information concerning the City's annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as supplementary information for the general fund to demonstrate compliance with this budget. Individual fund statements and schedules can be found beginning on page 40 of this report.

Government-Wide Financial Analysis

The City has implemented the provisions of Governmental Accounting Standards Board Statement Number 34, "*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.*" As a result, the accompanying fund financial statements are converted to the Statement of Net Assets and Statement of Activities by posting adjustments for the following:

Capital assets, net of accumulated depreciation, have been added to the Statement of Net Assets. In addition, capital outlay has been taken out of expenses in the Statement of Activities and depreciation expense for all equipment has been included in expense.

The liabilities for debt and accrued compensated absences have been added to the Statement of Net Assets and the related expenses have been included in the Statement of Activities.

The Statement of Net Assets and the Statement of Activities report the net assets of the City and changes in them. Over time, increases or decreases in the City's net assets are one indicator of financial position. However, you will need to consider other non-financial factors such as changes in economic conditions, regulations and new or changed government legislation.

The largest portion of the City's net assets (77%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the 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 the capital assets themselves cannot be used to liquidate these liabilities.

City of Groveland's Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 7,518,139	\$ 6,711,054	\$ 5,341,852	\$ 5,248,555	\$ 12,859,991	\$ 11,959,609
Capital assets	<u>14,498,993</u>	<u>14,760,649</u>	<u>32,824,622</u>	<u>34,009,831</u>	<u>47,323,615</u>	<u>48,770,480</u>
Total assets	22,017,132	21,471,703	38,166,474	39,258,386	60,183,606	60,730,089
Long-term liabilities	4,890,016	5,155,040	9,254,120	9,473,849	14,144,136	14,628,889
Other liabilities	<u>1,380,084</u>	<u>1,274,265</u>	<u>821,651</u>	<u>751,129</u>	<u>2,201,735</u>	<u>2,025,394</u>
Total liabilities	6,270,100	6,429,305	10,075,771	10,224,978	16,345,871	16,654,283
Net assets:						
Invested in capital assets, net of related debt	9,583,735	9,636,534	23,359,158	24,332,558	32,942,893	33,969,092
Restricted	3,223,128	3,132,087	4,459,084	4,147,632	7,682,212	7,279,719
Unrestricted	<u>2,940,169</u>	<u>2,273,777</u>	<u>272,461</u>	<u>553,218</u>	<u>3,212,630</u>	<u>2,826,995</u>
Total net assets	<u>\$ 15,747,032</u>	<u>\$ 15,042,398</u>	<u>\$ 28,090,703</u>	<u>\$ 29,033,408</u>	<u>\$ 43,837,735</u>	<u>\$ 44,075,806</u>

An additional portion of the City's net assets (18%) represents resources that are subject to external restrictions on how they may be spent. The remaining balance of unrestricted net assets (\$3,212,630) may be used to meet the City's ongoing obligations to citizens and creditors.

Assets of the City consist primarily of pooled cash and investments of \$12,249,562 and capital assets, net of accumulated depreciation of approximately \$47,323,615.

Current liabilities total \$2,201,735 which consist primarily of \$1,156,099 of accounts payable and accrued liabilities and \$357,661 of the current portion of long-term debt and capital leases.

Net assets decreased \$238,071 over the prior year to \$43,837,735. The major components of this category is "invested in capital assets, net of related debt," \$32,942,893 which is the City's investment in its net capital assets (original cost less accumulated depreciation, less debt) and restricted net assets of \$7,682,212.

Governmental Activities

Governmental activities increased the City's overall net assets by \$704,634. While the City experienced a 19% decline in grant and investment revenues, this was offset by a 11% increase in franchise and utility taxes and a 26% increase in charges for services.

Variances in governmental activities include:

- Franchise and utility taxes increased \$127,250 over the prior year due to rising rates.
- Sales and gas taxes increased \$26,256 over the prior year.

The following table represents the composition of governmental activities revenue and percentages in relation to total governmental activities:

Charges for services	\$ 467,878	7%
Property taxes	3,288,548	47%
Sales and gas taxes	1,114,828	16%
Franchise and utility taxes	1,263,286	18%
Impact fees	122,446	2%
Grants and contributions	422,423	6%
Investment earnings	184,200	3%
Other revenues and interfund transfer	<u>193,142</u>	<u>1%</u>
	<u>\$ 7,056,751</u>	<u>100%</u>

City of Groveland's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for service	\$ 467,878	\$ 371,408	\$ 3,976,226	\$ 3,981,289	\$ 4,444,104	\$ 4,352,697
Grants and contributions	422,423	522,792	105,928	35,025	528,351	557,817
General revenues:						
Property taxes	3,288,548	3,383,580	...	...	3,288,548	3,383,580
Other taxes	2,378,114	2,224,608	...	...	2,378,114	2,224,608
Impact fees	122,446	90,862	419,100	102,451	541,546	193,313
Other and interfund transfers	<u>377,342</u>	<u>240,702</u>	<u>(92,684)</u>	<u>165,650</u>	<u>284,658</u>	<u>406,352</u>
Total revenues	7,056,751	6,833,952	4,408,570	4,284,415	11,465,321	11,118,367
Expenses:						
General government	724,804	809,652	...	...	724,804	809,652
Public safety	3,542,543	3,475,150	...	...	3,542,543	3,475,150
Building department	239,599	234,303	...	...	239,599	234,303
Roads and streets	895,567	976,298	...	...	895,567	976,298
Animal control	49,574	56,718	...	...	49,574	56,718
Parks and recreation	399,693	313,694	...	...	399,693	313,694
Community redevelopment	295,152	225,561	...	...	295,152	225,561
Interest on long-term debt	205,185	212,940	401,923	409,898	607,108	622,838
Water	...	...	2,254,185	2,381,235	2,254,185	2,381,235
Sewer and sanitation	<u>...</u>	<u>...</u>	<u>2,695,167</u>	<u>2,677,317</u>	<u>2,695,167</u>	<u>2,677,317</u>
Total expenses	6,352,117	6,304,316	5,351,275	5,468,450	11,703,392	11,772,766
Increase (decrease) in net assets net of transfers	704,634	529,636	(942,705)	(1,184,035)	(238,071)	(654,399)
Net assets beginning	<u>15,042,398</u>	<u>14,512,762</u>	<u>29,033,408</u>	<u>30,217,443</u>	<u>44,075,806</u>	<u>44,730,205</u>
Net assets ending	<u>\$15,747,032</u>	<u>\$15,042,398</u>	<u>\$28,090,703</u>	<u>\$ 29,033,408</u>	<u>\$43,837,735</u>	<u>\$44,075,806</u>

Business-type Activities

The City has only two types of business activities, which are the water and wastewater service system and sanitation services. The City operates the water and wastewater system while it contracts with a third-party to provide the sanitation services.

Business-type activities decreased the City's overall net assets by \$942,705.

Financial Analysis of the Government'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 on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,269,186 an increase of \$741,940 in comparison with the prior year. Approximately 49% of this total amount (\$3,043,058) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to public safety, parks and recreation and city administrative capital expenditures (\$817,028), 2) police education (\$33,236), 3) city infrastructure (\$1,979,795) and 4) building department expenditures (\$377,544).

The general fund is the chief operating fund of the City of Groveland. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,498,494, while total fund balance was \$5,724,622.

The fund balance of the City's general fund increased by \$698,792 during the current fiscal year. Key factors in this are as follows:

- A increase in franchise and utility taxes of \$127,250 over the prior year..
- An increase in charges for services of approximately \$96,470 over the prior year.

Special Revenue Fund:

This fund is used to collect ad valorem taxes for properties located within a specific geographic area in the City's boundary and to collect a \$100 fee from developers of new construction. Funds collected must be used to redevelop blighted areas within the City. Tax collections for fiscal year 2010 decreased \$35,226 to \$289,221 compared to the prior year collection of \$324,447. The City treats their payment of taxes as an interfund transfer. Fees from developers increased \$1,600 to \$4,600 compared to the prior year of \$3,000.

Expenditures were \$59,260 higher than the prior year primarily due to the outsourcing of community redevelopment management functions.

Proprietary Funds:

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer fund at the end of the year amounted to \$272,461. The total decrease in net assets was \$942,705. Factors concerning the finances of this fund has already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary

The City did not amend the original budget during the fiscal year. Differences between the final amended budget and actual results are included on page 17 of the accompanying financial statements.

Capital Assets and Debt Administration

Capital Assets - The City's investment in capital assets for its governmental and business type activities as of September 30, 2010, amounts to \$47,323,615 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, park facilities, roads, and water-wastewater systems. The total net decrease in the City's investment in capital assets for the current fiscal year was approximately 2.97% (a 1.77% decrease for governmental activities and a 3.48% net decrease for business-type activities).

CITY OF GROVELAND
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 8,265,466	\$ 7,998,466	\$ 1,160,332	\$ 1,463,795	\$ 9,425,798	\$ 9,462,261
Building	1,210,265	1,256,823	130,201	136,248	1,340,466	1,393,071
Infrastructure and improvements	3,585,295	4,131,317	32,125	36,398	3,617,420	4,167,715
Equipment	1,437,966	1,374,043	444,593	567,844	1,882,559	1,941,887
Water and sewer system	.....	.....	<u>31,057,371</u>	<u>31,805,546</u>	<u>31,057,371</u>	<u>31,805,546</u>
Total assets	<u>\$14,498,993</u>	<u>\$14,760,649</u>	<u>\$34,009,831</u>	<u>\$34,009,831</u>	<u>\$47,323,614</u>	<u>\$48,770,480</u>

Long-Term Debt and capital lease - At the end of the fiscal year, the City's total net debt decreased \$420,646 or 3% to \$14,380,721. Of this debt, \$357,661 is due within the next fiscal year. This debt consists of \$8,391,816 of revenue bonds and a \$1,046,978 note payable secured by water and sewer net revenues, a \$959,034 note payable secured by the assignment of tax revenues of the Community Redevelopment Agency, mortgage loans of \$3,789,545 secured by real estate and impact fees and capital lease agreements of \$193,348.

CITY OF GROVELAND
General Obligation Debt and Revenue Bonds

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Notes payable	\$ 959,034	\$ 1,079,034	\$ 1,046,978	\$ 1,108,653	\$ 2,006,012	\$ 2,187,687
Mortgage payable	3,789,545	3,880,356	...	...	3,789,545	3,880,356
Capital leases	166,678	164,706	26,670	41,176	193,348	205,882
Revenue bonds	.....	.....	<u>8,391,816</u>	<u>8,527,442</u>	<u>8,391,816</u>	<u>8,527,442</u>
Total debt	<u>\$4,915,257</u>	<u>\$ 5,124,096</u>	<u>\$ 9,465,464</u>	<u>\$ 9,677,271</u>	<u>\$14,380,721</u>	<u>\$14,801,367</u>

Compensated Absences - The City had \$267,322 in total compensated absence liabilities in the General Fund as of September 30, 2010 with \$156,905 due in the next fiscal year. The Proprietary Fund had a total of \$53,457 in compensated absence liabilities with \$43,081 due in the next fiscal year.

For more detailed information regarding the City's capital assets and long-term debt, please refer to the notes to the financial statements.

Next Year's Budget and Rates

The City adopted the 2010 - 2011 budget at its September 20, 2010 meeting. The 2010 - 2011 General Fund budget of \$11,195,100 includes a millage rate of 5.1800.

Requests for Information - This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of Groveland, Finance Director, 156 S. Lake Avenue, Groveland, Florida 34736, (352) 429-2141.

CITY OF GROVELAND, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government		
	Governmental Activities	Business-type Enterprises	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 4,582,762	\$ 567,959	\$ 5,150,721
Receivables	73,958	277,462	351,420
Due from other governments	5,057	...	5,057
Total Current Assets	<u>4,661,777</u>	<u>845,421</u>	<u>5,507,198</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	2,851,552	4,247,289	7,098,841
Bond and permit costs (net)	4,810	249,142	253,952
Land	8,265,466	1,160,332	9,425,798
Capital assets, net of accumulated depreciation			
Buildings	1,210,265	130,201	1,340,466
Machinery and equipment	1,437,967	444,593	1,882,560
Infrastructure and improvements	3,585,295	32,125	3,617,420
Water system	...	6,747,189	6,747,189
Sewer system	...	24,310,182	24,310,182
Total Noncurrent Assets	<u>17,355,355</u>	<u>37,321,053</u>	<u>54,676,408</u>
Total Assets	<u>\$ 22,017,132</u>	<u>\$ 38,166,474</u>	<u>\$ 60,183,606</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 178,688	\$ 145,406	\$ 324,094
Due to other governments	832,005	...	832,005
Current portion long-term-debt and capital leases	135,941	221,720	357,661
Interest payable	76,545	30,944	107,489
Compensated absences	156,905	43,081	199,986
Customer deposits	...	380,500	380,500
Total Current Liabilities	<u>1,380,084</u>	<u>821,651</u>	<u>2,201,735</u>
Noncurrent liabilities:			
Note payable	959,034	983,742	1,942,776
Capital leases	72,002	10,809	82,811
Compensated absences	110,417	10,376	120,793
Mortgage liabilities	3,748,563	...	3,748,563
Bonds payable	...	8,249,193	8,249,193
Total Noncurrent Liabilities	<u>4,890,016</u>	<u>9,254,120</u>	<u>14,144,136</u>
Total Liabilities	<u>6,270,100</u>	<u>10,075,771</u>	<u>16,345,871</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,583,735	23,359,158	32,942,893
Net Assets:			
Restricted	3,223,128	4,459,084	7,682,212
Unrestricted	2,940,169	272,461	3,212,630
Total Net Assets	<u>15,747,032</u>	<u>28,090,703</u>	<u>43,837,735</u>
Total Liabilities and Net Assets	<u>\$ 22,017,132</u>	<u>\$ 38,166,474</u>	<u>\$ 60,183,606</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GROVELAND, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital Grants and Contributions		Primary Government			
			Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total		
Functions/Program								
Primary government:								
Governmental activities:								
General government	\$ 724,804	\$ 185,346	\$ 159,088	\$ 16,996	\$ (363,374)	\$	\$	(363,374)
Public safety	3,542,543	281,165	241,739	...	(3,019,639)	...	...	(3,019,639)
Building department	239,599	...	...	...	(239,599)	...	...	(239,599)
Roads and streets	895,567	...	...	...	(895,567)	...	...	(895,567)
Animal control	49,574	...	...	...	(49,574)	...	...	(49,574)
Parks and recreation	399,693	...	...	...	(399,693)	...	...	(399,693)
Community redevelopment	295,152	1,367	4,600	...	(289,185)	...	...	(289,185)
Interest on long-term debt	205,185	...	...	...	(205,185)	...	...	(205,185)
Total governmental activities	6,352,117	467,878	405,427	16,996	(5,461,816)	...	...	(5,461,816)
Business-type activities:								
Water	2,254,185	2,152,148	...	...	...	(102,037)	...	(102,037)
Sewer and sanitation	2,695,167	1,824,078	105,928	...	...	(765,161)	...	(765,161)
Interest on long-term debt	401,923	...	...	...	...	(401,923)	...	(401,923)
Total business-type activities	5,351,275	3,976,226	105,928	...	...	(1,269,121)	...	(1,269,121)
Total government	\$ 11,703,392	\$ 4,444,104	\$ 511,355	\$ 16,996	\$ (5,461,816)	\$ (1,269,121)	\$	\$ (6,730,937)
General revenues:								
Property taxes					\$ 3,288,548	\$	\$	\$ 3,288,548
Sales and gas taxes					1,114,828	...	...	1,114,828
Franchise and utility taxes					1,263,286	...	...	1,263,286
Impact fees					122,446	419,100	...	541,546
Miscellaneous revenues					64,585	...	...	64,585
Investment earnings					184,200	70,064	...	254,264
Gain (loss) on disposal of capital assets					2,202	(36,393)	...	(34,191)
Interfund transfers					126,355	(126,355)	...	...
Total general revenues and transfers					6,166,450	326,416	...	6,492,866
Change in net assets					704,634	(942,705)	...	(238,071)
Net assets - beginning					15,042,398	29,033,408	...	44,075,806
Net assets - ending					\$ 15,747,032	\$ 28,090,703	\$	\$ 43,837,735

The notes to the financial statements are an integral part of this statement.

CITY OF GROVELAND, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General Fund	Community Redevelopment Agency Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,880,031	\$ 554,283	\$ 7,434,314
Receivables	73,958	...	73,958
Due from other governments	5,057	...	5,057
Total assets	\$ 6,959,046	\$ 554,283	\$ 7,513,329
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 173,090	\$ 5,598	\$ 178,688
Accrued interest	72,424	4,121	76,545
Compensated absences	156,905	...	156,905
Due to other governments	832,005	...	832,005
Total liabilities	1,234,424	9,719	1,244,143
Fund balances:			
Reserved for:			
Building department	377,544	...	377,544
Impact fees	817,028	...	817,028
Police education fund	33,236	...	33,236
Infrastructure	1,979,795	...	1,979,795
Law enforcement trust fund	18,525	...	18,525
Unreserved: undesignated	2,498,494	544,564	3,043,058
Total fund balances	5,724,622	544,564	6,269,186
Total liabilities and fund balances	\$ 6,959,046	\$ 554,283	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,498,993
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,021,147)

Net assets of governmental activities	\$ 15,747,032
---------------------------------------	---------------

CITY OF GROVELAND, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Community Redevelopment Agency Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes:			
Ad Valorem	\$ 2,999,327	\$ 289,221	\$ 3,288,548
Sales	546,564	...	546,564
Franchise and utility taxes	1,263,286	...	1,263,286
Motor fuel	108,139	...	108,139
Licenses and permits	123,684	...	123,684
Intergovernmental	931,588	...	931,588
Charges for services	173,933	1,367	175,300
Fines and forfeitures	100,923	...	100,923
Impact fees	122,446	...	122,446
Investment earnings	166,060	...	166,060
Miscellaneous	99,259	4,600	103,859
Total Revenues	<u>6,635,209</u>	<u>295,188</u>	<u>6,930,397</u>
EXPENDITURES			
Current:			
General government	887,372	...	887,372
Public safety	3,288,086	...	3,288,086
Road and streets	437,957	...	437,957
Animal control	50,857	...	50,857
Parks and recreation	328,222	...	328,222
Community redevelopment	...	194,497	194,497
Debt service:			
Principal and interest	242,036	267,335	509,371
Capital Outlay:			
General government	2,183	...	2,183
Public safety	135,448	...	135,448
Road and streets	89,865	...	89,865
Parks and recreation	56,716	...	56,716
Community redevelopment	...	72,238	72,238
Total Expenditures	<u>5,518,742</u>	<u>534,070</u>	<u>6,052,812</u>
Excess of Revenues Over (Under) Expenditures	1,116,467	(238,882)	877,585
Other Financing Sources			
Interfund transfers in (out)	<u>(417,675)</u>	<u>282,030</u>	<u>(135,645)</u>
Total Other Financing Sources	<u>(417,675)</u>	<u>282,030</u>	<u>(135,645)</u>
Net change in fund balance	698,792	43,148	741,940
Fund Balances - Beginning of Year	<u>5,025,830</u>	<u>501,416</u>	<u>5,527,246</u>
Fund Balances - Ending of Year	<u>\$ 5,724,622</u>	<u>\$ 544,564</u>	<u>\$ 6,269,186</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GROVELAND, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

Net change in fund balances - total governmental funds	\$	741,940
 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. This is the amount by which capital outlays exceeded depreciation in the current period.		 (261,658)
 The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		 246,021
 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.		 <u>(21,669)</u>
 Change in net assets of governmental activities	 \$	 <u><u>704,634</u></u>

CITY OF GROVELAND, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Ad Valorem	\$ 2,883,100	\$ 2,883,100	\$ 2,999,327	\$ 116,227
Sales	447,600	447,600	546,564	98,964
Franchise and utilities	1,040,600	1,040,600	1,263,286	222,686
Motor fuel	79,800	79,800	108,139	28,339
Licenses and permits	128,800	128,800	123,684	(5,116)
Intergovernmental	778,500	778,500	931,588	153,088
Charges for services	158,000	158,000	173,933	15,933
Fines and forfeitures	113,800	113,800	100,923	(12,877)
Impact fees	95,000	95,000	122,446	27,446
Investment earnings	150,500	150,500	166,060	15,560
Miscellaneous	71,500	71,500	99,259	27,759
Total Revenues	<u>5,947,200</u>	<u>5,947,200</u>	<u>6,635,209</u>	<u>688,009</u>
Expenditures:				
Current:				
General government	1,136,900	1,136,900	957,980	178,920
Public safety	3,685,800	3,685,800	3,594,860	90,940
Road and streets	522,300	522,300	527,822	(5,522)
Animal control	55,500	55,500	50,857	4,643
Parks and recreation	455,400	455,400	387,223	68,177
Total Expenditures	<u>5,855,900</u>	<u>5,855,900</u>	<u>5,518,742</u>	<u>337,158</u>
Excess of Revenues Over (Under) Expenditures	<u>91,300</u>	<u>91,300</u>	<u>1,116,467</u>	<u>1,025,167</u>
Other Financing Uses:				
Transfer out	(1,311,100)	(1,311,100)	(417,675)	893,425
Total other financing uses	<u>(1,311,100)</u>	<u>(1,311,100)</u>	<u>(417,675)</u>	<u>893,425</u>
Net change in fund balances	<u>(1,219,800)</u>	<u>(1,219,800)</u>	<u>698,792</u>	<u>1,918,592</u>
Fund Balance - Beginning	<u>5,025,830</u>	<u>5,025,830</u>	<u>5,025,830</u>	<u>1,183,754</u>
Fund Balance - Ending	<u>\$ 3,806,030</u>	<u>\$ 3,806,030</u>	<u>\$ 5,724,622</u>	<u>\$ 3,102,346</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GROVELAND, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
WATER, SEWER AND SANITATION FUND
SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009

<u>ASSETS</u>	TOTALS	
	2010	2009
Current Assets:		
Cash and cash equivalents	\$ 567,959	\$ 888,700
Accounts receivable	277,462	187,505
Total Current Assets	845,421	1,076,205
Restricted Assets:		
Cash and cash equivalents:		
Customer deposits	380,500	369,815
Impact fees	3,286,996	3,106,748
Debt service	171,031	166,511
Water revenue bonds - reserve	408,762	369,727
Total Restricted Cash and Cash Equivalents	4,247,289	4,012,801
Deferred Charges:		
Bond issuance cost	101,679	101,679
Permit costs	258,569	149,476
	360,248	251,155
Less accumulated amortization	111,106	91,606
Net Deferred Charges	249,142	159,549
Property, Plant and Equipment:		
Land	1,160,332	1,463,795
Buildings and improvements	358,476	355,611
Water system	9,527,381	9,394,162
Sewer system	29,341,611	29,094,670
Equipment	1,300,776	1,300,776
	41,688,576	41,609,014
Less accumulated depreciation	8,863,954	7,599,183
Net Property, Plant and Equipment	32,824,622	34,009,831
TOTAL ASSETS	\$ 38,166,474	\$ 39,258,386

<u>LIABILITIES AND NET ASSETS</u>	TOTALS	
	<u>2010</u>	<u>2009</u>
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts payable and accrued expenses	\$ 145,406	\$ 102,080
Compensated absences	43,081	35,333
Current portion of long-term debt and capital lease	79,097	76,844
Total Current Liabilities (Payable From Current Assets)	<u>267,584</u>	<u>214,257</u>
Current Liabilities (Payable From Restricted Assets):		
Customer deposits	380,500	369,445
Revenue bonds	142,623	135,627
Accrued interest	30,944	31,800
Total Current Liabilities (Payable From Restricted Assets)	<u>554,067</u>	<u>536,872</u>
Long-Term Liabilities:		
Compensated absences	10,376	9,048
Capitalized lease	10,809	26,008
Revenue bonds	8,249,193	8,391,815
Notes payable	983,742	1,046,978
Total Long-Term Liabilities	<u>9,254,120</u>	<u>9,473,849</u>
TOTAL LIABILITIES	<u>10,075,771</u>	<u>10,224,978</u>
Net Assets:		
Invested in capital assets, net of related debt	23,359,158	24,332,558
Restricted	4,459,084	4,147,632
Unrestricted	272,461	553,218
TOTAL NET ASSETS	<u>28,090,703</u>	<u>29,033,408</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,166,474</u>	<u>\$ 39,258,386</u>

CITY OF GROVELAND, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
WATER, SEWER AND SANITATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARITIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	TOTALS	
	2010	2009
Operating Revenues:		
Water sales pledged as security for revenue bonds	\$ 2,035,228	\$ 2,098,665
Sanitation fees	771,923	748,104
Sewer charges pledged as security for revenue bonds	1,052,154	1,015,641
Meter installations	27,753	27,406
New connections	43,402	47,276
Delinquent and late fees	45,766	44,195
	<u>3,976,226</u>	<u>3,981,287</u>
Operating Expenses:		
Personal services	1,327,606	1,296,715
Operating expenses	1,102,482	1,033,476
Utility services	263,763	253,125
Repairs and maintenance	228,298	167,455
Engineering	606,719	892,715
Insurance	136,213	139,474
Depreciation and amortization	1,284,271	1,275,590
	<u>4,949,352</u>	<u>5,058,550</u>
Total Operating Expenses		
	<u>4,949,352</u>	<u>5,058,550</u>
Operating Income (Loss)	<u>(973,126)</u>	<u>(1,077,263)</u>
Nonoperating Revenues (Expenses):		
Impact fees	419,100	102,451
Grant revenue	105,928	34,730
Donations	...	295
Interest revenue	70,064	79,216
Miscellaneous revenue (expense)	(126,355)	86,434
Loss on disposal of asset	(36,393)	...
Interest expense	(401,923)	(409,898)
	<u>(401,923)</u>	<u>(409,898)</u>
Total Nonoperating Revenues (Expenses)	<u>30,421</u>	<u>(106,772)</u>
Net Income (Loss)	<u>(942,705)</u>	<u>(1,184,035)</u>
Net Assets - Beginning of Year	<u>29,033,408</u>	<u>30,217,443</u>
Net Assets - End of Year	<u>\$ 28,090,703</u>	<u>\$ 29,033,408</u>

CITY OF GROVELAND, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
WATER, SEWER AND SANITATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	TOTALS	
	2010	2009
Cash Flows From Operating Activities:		
Cash received from customers	\$ 4,026,985	\$ 4,081,170
Cash payments to suppliers for goods and services	(2,294,149)	(2,462,695)
Cash payments for employee services	(1,318,530)	(1,321,247)
Net Cash Provided From Operating Activities	414,306	297,228
Cash Flows From Noncapital Financing Activities:		
Utility deposits received from (paid to) customers	11,055	6,295
Net Cash Provided From Noncapital Financing Activities	11,055	6,295
Cash Flows From Capital and Related Financing Activities:		
Principal paid on revenue bonds and notes payable	(211,808)	(205,405)
Acquisition and construction of capital assets	(492,119)	(599,678)
Interest paid on revenue bonds and notes payable	(402,779)	(410,229)
Proceeds from impact fees	419,100	102,451
Proceeds from grants	105,928	34,730
Net Cash Used by Capital and Related Financing Activities	(581,678)	(1,078,131)
Cash Flows From Investing Activities:		
Interest and other	70,064	79,216
Net Cash Provided From Investing Activities	70,064	79,216
Net decrease in cash and cash equivalents	(86,253)	(695,392)
Cash and cash equivalents at beginning of year	4,901,501	5,596,893
Cash and cash equivalents at end of year	\$ 4,815,248	\$ 4,901,501

The notes to the financial statements are an integral part of this statement.

CITY OF GROVELAND, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
WATER, SEWER AND SANITATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	TOTALS	
	2010	2009
Reconciliation Of Operating Income (Loss) To Net Cash Provided From Operating Activities:		
Operating Loss	\$ (973,126)	\$ (1,077,263)
Adjustment To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation and amortization	1,284,271	1,275,590
(Increase) decrease in accounts receivable	(89,957)	13,154
Increase (decrease) in accounts payable	43,326	23,550
Increase (decrease) in compensated absences	9,076	(24,532)
Interfund transfers	135,645	86,434
Sale of asset	5,071	...
Donations	...	295
	1,387,432	1,374,491
Total Adjustments		
Net Cash Provided From Operating Activities	\$ 414,306	\$ 297,228

CITY OF GROVELAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

1. Significant Accounting Policies:

The City of Groveland, Florida, is incorporated under the Special Acts of 1923 of the State of Florida, Chapter 9764, and operates under a Council-Mayor form of government under its charter adopted pursuant to the laws of the State of Florida. The City provides the following services: public safety (police and fire), highways and streets, water, sewer and sanitation, culture and recreation, and general administrative services.

The Community Redevelopment Agency was created by Ordinance 2002-05-15.

The financial statements of the City of Groveland, Florida have been prepared in conformity with generally accepted accounting principles as applicable to governments. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the City's more significant accounting policies:

A. Reporting Entity

These financial statements include all the City's funds. There are no component units, separate governmental units, agencies or nonprofit corporations which require inclusion in the City's financial statements.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These

revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Accounting - The accounts of the City are organized on the basis of funds which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds of the City are as follows:

Governmental Funds -

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Fund - To account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

Proprietary Fund -

Enterprise Fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements and proprietary fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated

with the operation of these funds are included on the statement of net assets and balance sheet, respectively.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

All major revenues, except for property taxes and licenses, are considered measurable and available and, as such, susceptible to accrual.

Proprietary funds are accounted for using the flows of economic resources. Recognition is given to revenues when earned and expenses are recorded at the time liabilities are incurred. Earned, but unbilled, utility charges are not recorded at year end due to their immaterial amount.

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

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

The City Finance Director is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

Budgets are adopted for all funds. Budget amounts for the governmental fund types are reported in the financial statements. A comparison of budgeted and actual (budgetary basis) expenses in the enterprise fund is shown in notes to financial statements Number 2.

The City is not on the encumbrance system and appropriations lapse at the end of each fiscal year. Supplemental appropriations were not made during the year. The budget is adopted with fund level control, thus expenditures may not legally exceed budgeted appropriations at the fund level.

E. Assets, Liabilities and Fund Equity

1. *Cash, Cash Equivalents, and Investments* - For purpose of cash flows, cash includes amounts in demand deposits as well as short-term investments with an original maturity date of three months or less.

Investments are stated at fair value.

2. *Receivables* - Water, sewer and sanitation charges are recognized when billed. Receivables are shown net of an allowance for doubtful accounts. The City has no concentration of credit risk.
3. *Due from other governmental units* - Those amounts that represent a claim against another government, are measurable and have been accrued.
4. *Restricted Assets* - The restricted assets represent those assets which are earmarked for specific purposes and cannot be used for paying general obligations. The corresponding liability designated as payable from restricted assets represents the current maturities for which the restricted assets are accumulated.
5. *Fixed Assets* - The fixed assets includes property, plant, equipment, and infrastructure assets, (see below), are reported in the applicable governmental or business-type activities columns in the government-wide financial statement. Fixed assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at estimated fair market value at the date of donation.

The cost of infrastructure assets, including road, bridges, curbs and gutters, streets, sidewalks, drainage systems and lighting systems are recorded in the government-wide financial statements.

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

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.

Depreciation of fixed assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Improvements	25 - 40
Machinery and equipment	5 - 15
Water and sewer systems	25 - 40
Infrastructure	20 - 30

6. *Long-Term Obligations* - In the government-wide financial statements, and for 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 or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *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; natural disasters; and job-related illnesses or injuries to employees. Significant losses are covered through participation in a local government nonassessable self insurance pool. For these insured programs, there have been no significant reductions in insurance coverage.
8. *Fund Equity* - Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

F. Property Taxes - Key dates in the property tax cycle (latest date where appropriate) are as follows:

Lien date	January 1
Assessment roll validated	July 1
Millage resolution approved	September 30
Beginning of fiscal year for which taxes have been levied	October 1
Tax bills rendered and due	November 1
Property Taxes Payable:	
Maximum discount	November 30
Delinquent	April 1

Tax certificates sold

May 31

The statutory maximum tax rates which may be assessed by the City are as follows:

Ad valorem millage	10 mills
Utility tax (Electric, gas, telephone)	10%

G. Employee Benefits

Retired or terminated employees have the option of continued participation in group insurance at the employees' own expense.

The City changed its compensated absence policy from vacation and sick leave to personal leave during the fiscal year ending September 30, 2007. Vested or accumulated personal leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated personal leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities. No expenditure is reported for these amounts. Vested or accumulated personal leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Personal leave accumulates at an equivalent of 14.67 hours per month. Employees earn 96 hours a year in medical related pay and 80 hours in vacation related pay. A total of 600 hours of personal leave can be accumulated with 100% being paid when employment ends.

H. Comparative Data

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

2. Stewardship, Compliance and Accountability:

A. Enterprise Fund Budget Comparisons:

Comparison of budgeted and actual (budget basis) expenses at the legal level of control for the Enterprise Funds is presented as follows:

	<u>Water, Sewer and Sanitation Fund</u>
Actual (GAAP Basis)	\$ 5,351,275
Add: Principal payments	211,808
Capital outlay	492,119
Less: Depreciation and amortization	<u>(1,284,271)</u>
Actual (Budget Basis)	4,770,931
Budget	<u>6,239,800</u>
Variance - favorable (unfavorable)	<u>\$ 1,468,869</u>

3. Deposits and Investments:

Deposits

The Florida Security for Depositors Act identifies those financial institutions that have deposited the required collateral in the name of the Treasurer of the State of Florida as qualified public depositories. The City only places deposits with qualified public depositories. Therefore, all City deposits are either insured by FDIC or Florida's Multiple Financial Institution Collateral Pool.

Investments

State statutes and the City's investment policies authorize investment in:

- (1) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in s. 163.01.
- (2) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (3) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.
- (4) Direct obligations of the U.S. Treasury.
- (5) Ordinance No. 90-12-15 and No. 98-04-03 authorize the City to invest surplus funds with a brokerage firm in investments that would not be allowed by the Florida Security for Public Deposits Act.

On February 17, 2003, the City Council approved resolution 2003-02-02 authorizing the City to invest surplus funds in the Local Government Surplus Funds Trust Fund, (commonly referred to as the SBA).

The State Board of Administration (Board) was established on June 21, 1928, pursuant to Chapter 14486, 1929, Laws of Florida. The Board was subsequently created as a constitutional body corporate on January 1, 1943, under the provisions of Senate Joint Resolution No. 324, 1941; approved by the electorate in November 1942. The Board is composed of the Governor, as Chairman, the State Treasurer, as Treasurer, and the State Comptroller, as Secretary, and provides the following services by law: (1) investment of funds of the Florida Retirement System (FRS); (2) administration of debt service funds; (3) investment of trust and agency funds; and (4) distribution of the "Second Gas Tax."

The SBA is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the SBA. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration.

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The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund. Therefore the pool account balance (amortized cost) can be used as fair value for financial reporting.

Financial statements for the Local Government Surplus Funds Trust Fund Investment Pool can be obtained through the SBA website at www.sba.Fla.com. See Note 11 for additional information.

	<u>Carrying Value</u>	<u>Fair Value</u>
Investment in Local Government Surplus Funds Trust	\$369,053	\$369,053

4. Receivables:

<u>Receivable</u>	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Franchise fees	\$ 35,466	\$...	\$ 35,466
Utility taxes	38,492	...	38,492
Accounts	...	<u>311,877</u>	<u>311,877</u>
Gross receivables	73,958	311,877	385,835
Less: allowance for uncollectible	...	<u>(34,415)</u>	<u>(34,415)</u>
Net receivable	<u>\$ 73,958</u>	<u>\$ 277,462</u>	<u>\$ 351,420</u>

5. General Fixed Assets:

A summary of changes in general fixed assets follows:

	Balance October 1, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Depreciation</u>	Balance September 30, <u>2010</u>
Land	\$ 7,998,466	\$ 267,600	\$...	\$...	\$ 8,265,466
Buildings	1,836,769	59,829	...	...	1,896,598
Infrastructure and improvements	7,540,367	...	...	...	7,540,367
Equipment	<u>3,029,066</u>	<u>309,723</u>	<u>...</u>	<u>...</u>	<u>3,338,789</u>
Total	20,404,668	636,552		...	21,041,220
Less accumulated depreciation	<u>(5,644,019)</u>	<u>...</u>	<u>...</u>	<u>(898,208)</u>	<u>(6,542,227)</u>
Net fixed assets	<u>\$ 14,760,649</u>	<u>\$ 636,552</u>	<u>\$...</u>	<u>\$ (898,208)</u>	<u>\$ 14,498,993</u>

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

Governmental activities:

General government	\$ 65,397
Public safety	283,515
Road and street	430,410
Animal control	984
Physical environment	73,106
Community redevelopment	<u>44,796</u>
Total depreciation expense - governmental activities	<u>\$ 898,208</u>

6. Proprietary Fund Fixed Assets:

A summary of proprietary fund fixed assets at September 30, 2010, follows:

	Balance October 1, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Depreciation</u>	Balance September 30, 2010
Land	\$ 1,463,795	\$...	\$ (303,463)	\$...	\$ 1,160,332
Building	221,078	...	...	...	221,078
Infrastructure & improvements	134,533	2,865	...	...	137,398
Water system	9,394,162	133,219	...	...	9,527,381

Sewer system	29,094,670	246,941	...	...	29,341,611
Equipment	<u>1,300,776</u>	...	...	...	<u>1,300,776</u>
Total	41,609,014	383,025	...	...	41,688,576
Less accumulated depreciation	<u>(7,599,183)</u>	...	<u>(303,463)</u>	<u>(1,264,771)</u>	<u>(8,863,954)</u>
Net fixed assets	<u>\$ 34,009,831</u>	<u>\$ 383,025</u>	<u>\$ (303,463)</u>	<u>\$ (1,264,771)</u>	<u>\$ 32,824,622</u>

7. Retirement Plan:

The City has adopted a Defined Contribution (Money Purchase) Prototype Retirement Plan to provide certain benefits for its employees in the event of their retirement from active service and for their beneficiaries in the event of death.

Eligibility

The plan covers any employee who on the plan effective date or any subsequent anniversary date, has completed one year of service with the City and attained age 18.

Normal Retirement Age:

The plan defines normal retirement age as the later of:

- (a) the participant's 65th birthday or
- (b) the date ten years subsequent to the date of the participant's commencement of participation in this plan or a predecessor plan which this plan amended and succeeded.

Vesting Schedule:

The City's contributions are vested to the individual participant's accounts as follows:

<u>Years of Participation</u>	<u>% Vested</u>
0 - 1	0
1 - 2	20
2 - 3	40
3 - 4	60
4 - 5	80
6 and up	100

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. City contributions and forfeited interest by employees who leave employment before vesting are used to reduce the City's current-period contribution requirement or is refunded to the City.

Funding Policy

The plan is non-contributory. The City contributes 10% of the monthly compensation of each participant. The City's total payroll for the year ended September 30, 2010 was \$3,985,075. The City's contribution of \$281,025 was calculated on covered payroll of \$3,542,776.

8. Long-Term Debt:

The following is a summary of changes in long-term liabilities reported for governmental activities in the government-wide statement of net assets for the year ended September 30, 2010.

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010
Compensated absences	\$ 129,420	\$...	\$ (19,003)	\$ 110,417
Mortgage payable	3,880,356	...	(90,811)	3,789,545
Note payable	<u>1,079,034</u>	<u>...</u>	<u>(120,000)</u>	<u>959,034</u>
	<u>\$ 5,088,810</u>	<u>\$...</u>	<u>\$ (229,814)</u>	<u>\$ 4,858,996</u>

The long-term debt for governmental activities in the government-wide financial statement of net assets is comprised of the following at September 30, 2010:

Compensated absences represent the general fund's liability for accrued personal leave.	\$ 110,417
Mortgage payable to bank, dated March 29, 2004 for \$350,000, interest rate of 3.75%, due in monthly installments of \$3,515 for 120 months. Secured by assignment of tax revenues from the Community Redevelopment Agency.	43,040
Mortgage payable to bank, dated June 13, 2007 for \$2,890,000, interest rate of 3.81%, interest payments only in semi-annual installments with total principal and accrued un-paid interest due October 1, 2012. The loan is secured by 100% of the City's law enforcement impact fees and 60% of the City's fire impact fees. The City has elected to make principal payments each month along with the interest payments but is not bound to make such principal payments until maturity.	2,696,005

Mortgage payable to bank, dated June 8, 2007 for \$1,200,000, interest rate of 3.81%, interest payments only in semi-annual installments with total principal and accrued un-paid interest due October 1, 2012. The loan is secured by 100% of the City's administrative facilities impact fees. The City has elected to make principal payments each month along with the interest payments but is not bound to make such principal payments until maturity. 1,050,500

Note payable to bank, dated August 22, 2006 for \$1,096,000, interest rate of 4.975%, interest payments only in monthly installments for 60 months. Secured by assignment of tax revenues from the Community Redevelopment Agency. The City has elected to make \$10,000 principal payments each month along with the interest payments but is not bound to make such principal payments until maturity. 959,034

Total \$ 4,858,996

Interest expense of \$55,137 was a direct expense of the Community Redevelopment Agency and interest expense of \$143,795 was a direct expense of the general fund.

The following is a summary of changes in long-term liabilities of the proprietary fund for the year ended September 30, 2010:

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010
Compensated absences	\$ 9,048	\$ 1,328	\$...	\$ 10,376
USDA water revenue bonds payable	837,000	...	(27,000)	810,000
USDA sewer revenue bonds payable	1,595,000	...	(36,000)	1,559,000
USDA water and sewer bond payable	1,891,655	...	(22,538)	1,869,117
USDA water and sewer bond payable	4,203,787	...	(50,088)	4,153,699
Note payable - State of Florida	<u>1,108,653</u>	<u>...</u>	<u>(61,675)</u>	<u>1,046,978</u>
	<u>\$ 9,645,143</u>	<u>\$...</u>	<u>\$ (197,301)</u>	<u>\$ 9,449,170</u>

The long-term debt of the proprietary fund is comprised of the following at September 30, 2010:

Compensated absences representing the long-term portion of the proprietary fund liability for accrued vacation and sick leave.	\$ 10,376
United States Department of Agriculture water revenue bonds, original issue \$998,200, due serially in annual installments of \$9,200 to \$57,000 to September 2028, interest at 5% due annually.	692,000
United States Department of Agriculture water revenue bonds, original issue \$170,000, due serially in annual installments of \$1,000 to \$10,000 to September 2028, interest at 5% due annually.	118,000

United States Department of Agriculture sewer revenue bonds (1994 A Series), original issue \$1,451,000, due serially in annual installments ranging from \$72,550 to \$88,200 to September 2033, interest at 5% annually.	1,160,000
United States Department of Agriculture sewer revenue bonds (1994 B Series) original issue \$500,000 due serially in annual installments ranging from \$25,000 to \$30,050 to September 2033, interest at 5% annually.	399,000
United States Department of Agriculture water and sewer revenue bond (2007A Series) original issue \$4,309,000 due serially in annual installments ranging from \$10,912 to \$214,640 to September 2046, interest at 4.125% annually.	4,153,700
United States Department of Agriculture water and sewer revenue bond (2007B Series) original issue \$1,939,000 due serially in annual installments ranging from \$4,911 to \$96,586 to September 2046, interest at 4.125% annually.	1,869,116
State of Florida Revolving Fund Capitalization Grant (SRF) loan for sewer transmission facilities. The loan consists of two amounts of \$148,125 at an interest rate of 1.58% and \$1,222,250 at a rate of 1.22% with a combined semi-annual payment of \$44,609. The loan matures September 2024.	<u>1,046,978</u>
Total	<u>\$ 9,449,170</u>

The water and sewer revenue bonds and the SRF loan are payable from and secured by a lien on the net revenues of the water and sewer systems. Florida Statute Section 212.055 (2)(E) and Attorney General Opinion 88-59 permit the use of infrastructure surtax funds to service bond indebtedness incurred subsequent to July 1, 1987, for infrastructure purposes.

For the fiscal year ending September 30, 2010, the City's proprietary fund net revenues met the requirement of being at least 125% of the maximum bond service requirement on the outstanding debt secured by such revenues.

The annual requirements to amortize all long-term debt outstanding as of September 30, 2010, including interest payments of \$7,786,387 are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	<u>Proprietary Fund</u>
2011	1,191,663	598,730
2012	144,523	598,380
2013	3,817,876	598,930
2014	...	597,230
2015	...	598,430
2016 - 2020	...	2,990,352
2021 - 2025	...	2,899,065
2026 - 2030	...	2,406,417

2031 - 2035	...	1,968,467
2036 - 2040	...	1,620,317
2041 - 2045	...	1,620,317
2046	<u>10,376</u>	<u>110,417</u>
Total	<u>\$ 5,164,438</u>	<u>\$ 16,606,502</u>

9. Capital Leases:

The City leases computer and related equipment under a capital lease in the fiscal year ending September 30, 2010. The gross amount of assets recorded under the lease totaled \$300,010. The assets are amortized over the lower of their related lease terms or their estimated useful lives. Amortization expense of \$72,531 is included in depreciation expense.

Future minimum lease payments under the capital leases at September 30, 2010 are as follows:

<u>Year ending September 30:</u>	<u>Amount</u>
2011	\$ 120,188
2012	88,641
<u>2013</u>	<u>3,554</u>
Total minimum lease payments	212,383
Less imputed interest	<u>12,313</u>
Present value of net minimum lease payment	200,069
Less current maturities	<u>110,537</u>
	<u>\$ 89,532</u>

10. Reserved Fund Balances and Retained Earnings:

Reserves have been established for the following items in the General Fund:

Reserved for Impact Fees - Funds reserved by City ordinance for public safety, park and recreational and city administrative capital expenditures.

Reserved for Infrastructure - Funds reserved by state statute for capital expenditures.

Reserved for Police Education - Funds reserved by state statute for education of police officers.

Reserved for Law Enforcement - Funds reserved specifically for drug investigations.

Reserved for Law Enforcement Communication - Funds reserved by state statute for communication expenditures by police departments.

Reserved for Building Department - Funds reserved by state statute for building department expenditures.

Reserved Fund Balance at September 30, 2010, consisted of the following:

Reserved for impact fee collection	\$ 814,028
Reserved for building department	377,544
Reserved for infrastructure	1,979,795
Reserved for police education	33,236
Reserved for law enforcement	<u>18,525</u>
Total reserved fund balance at September 30, 2010	<u><u>\$ 3,223,128</u></u>

Net Assets - Restrictions have been established for the following items.

Restricted for debt service - Funds reserved for debt service payments.	\$ 620,557
Restricted for water and sewer system expansion	<u>3,838,527</u>
Total restricted balance at September 30, 2010	<u><u>\$ 4,459,084</u></u>

11. Grants:

The City received the following intergovernmental grants:

Florida Department of Laws Enforcement	
Criminal justice grant - equipment purchases	\$ 80,916
Department of Community Affairs	
Hurricane clean-up reimbursement	\$ 6,526
Department of Homeland Security	
SAFER grant - fire department personnel	\$ 159,322
Florida Department of Environmental Protection	
Recreational park grant	\$ 152,562

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

12. Contingencies

The City is involved in various legal proceedings arising in the ordinary course of business. In the opinion of management, although the outcome of any legal proceedings cannot be predicted, the ultimate liability of the City in connection with its legal proceedings will not have a material adverse effect on the financial position or activities of the City.

The City was unsuccessful in challenging the issuance of a consumptive use permit by the St. John's River Water Management District to Niagara Bottling Company, LLC. (Niagara) during the year ending September 30, 2009. Niagara has filed motions to recover attorneys' fees against the City as allowed under Florida state statutes. The final hearing on the attorneys' fees issue was held on March 30, 2010 and the parties submitted deposition transcripts and objections to the Administrative Law Judge. A settlement agreement was entered into January 5, 2011 which grants Niagara a credit of \$1.24 million towards sewer-utility payments. The City will pay incidental additional costs for Niagara but will in turn receive Niagara's wastewater at no charge. The City intends to sell the wastewater for irrigation as reclaimed water.

13. State Board of Administration

At September 30, 2010, the City had \$368,867 invested in the State Board of Administration's Local Government Surplus Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub-prime mortgage risk. On December 4, 2007, based upon recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets while Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. At the time of restructuring, all current pool participants had their existing balances proportionately allocated to Pool A and Pool B.

Currently, Pool A participants can withdraw any amount from Pool A, without penalty. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool. However, a percentage amount from Pool B are transferred to Pool A when those investments mature. The amount transferred is determined upon the total amount held in Pool B.

As of September 30, 2010, the City had \$100,822 and \$268,231 invested in Pool A and B respectively. Additional information regarding the Local Government Surplus Trust Fund may be obtained from the State Board of Administration.

14. Segment Information for Enterprise Funds:

The City operates an enterprise fund which provides water and sewer services.

Segment information for the year ended September 30, 2010, is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total Proprietary Fund</u>
Operating Activities				
Operating revenues	\$ 2,129,266	\$ 1,075,037	\$ 771,923	\$ 3,976,226
Operating expense	(1,884,700)	(1,218,439)	(561,942)	(3,665,081)
Depreciation	<u>(369,485)</u>	<u>(914,786)</u>	...	<u>(1,284,271)</u>
Operating Income	(124,919)	(1,058,188)	209,981	(973,126)
Non-Operating Income (Expense)				
Impact fees	189,175	229,925	...	419,100
Interest expenses	(42,522)	(359,401)	...	(401,923)
Transfers	...	72,978	(199,333)	(126,355)
Other non-operating income	<u>35,033</u>	<u>104,566</u>	...	<u>139,599</u>
Total non-operating income (expenses)	181,686	48,068	(199,333)	30,421
Net Income (loss)	56,767	(1,010,120)	(199,333)	(942,705)
Cash Flow				
Cash flow - provided (used)				
Operating activities	244,566	169,740	...	414,306
Noncapital financing	11,055	...	...	11,055
Capital financing	(7,430)	(574,248)	...	(581,678)
Investing activities	<u>63,058</u>	<u>7,006</u>	...	<u>70,064</u>
Total cash provided (used)	311,249	(397,502)	...	(86,253)
Beginning cash	4,901,501	...	...	4,901,501
Ending cash	5,212,750	(397,502)	...	4,815,248
Assets				
Current assets	728,388	52,948	64,085	845,421
Capital assets	7,630,815	25,193,808	...	32,824,622
Other assets	<u>3,891,714</u>	<u>604,718</u>	...	<u>4,496,431</u>
Total assets	12,250,916	25,851,473	64,085	38,166,474
Current liabilities	601,076	220,576	...	821,651
Long-term liabilities	<u>1,497,163</u>	<u>7,756,957</u>	...	<u>9,254,120</u>
Total liabilities	2,098,239	7,977,533	...	10,075,771
Net Assets				
Beginning net assets	11,524,464	17,445,387	53,437	29,033,408
Changes in net assets	<u>56,767</u>	<u>(1,010,120)</u>	<u>10,648</u>	<u>(942,705)</u>
Ending net assets	11,581,231	16,445,387	64,085	28,090,703
Invested in assets, net	6,027,980	17,331,178		23,359,158
Restricted	3,873,040	586,044		4,459,084
Unrestricted	<u>251,658</u>	<u>(43,282)</u>	<u>64,085</u>	<u>272,461</u>
	\$ 10,152,678	\$ 17,873,941	\$ 64,085	\$ 28,090,703

15. Community Redevelopment Agency

The City established a Community Redevelopment Agency to redevelop blighted areas within the City boundaries. Property taxes collected from various agencies are utilized to fund these activities. Included in the audit and reported with and separately in the City's Financial Statements is the financial position and activities of the Community Redevelopment Agency Fund as of and for the year ended September 30, 2010.

16. Interfund Transfer

The City transferred \$282,030 from the general fund to the special revenue fund (CRA) for its assessed portion of taxes in the CRA district and \$135,645 to the water and sewer fund for operating expenses. The water and sewer fund transferred real property to the CRA fund in the amount of \$262,000 for eventual development and resale. The CRA funds will be used to redevelop blighted areas.

CITY OF GROVELAND, FLORIDA
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009

<u>ASSETS</u>	<u>TOTALS</u>	
	2010	2009
Cash and cash equivalents	\$ 6,880,031	\$ 6,119,361
Accounts receivable	73,958	64,532
Due from other governmental units	5,057	4,513
 TOTAL ASSETS	 \$ 6,959,046	 \$ 6,188,406
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 173,090	\$ 148,278
Accrued interest payable	72,424	71,371
Compensated absences	156,905	150,629
Due to other governments	832,005	792,298
 Total Liabilities	 1,234,424	 1,162,576
Fund Balance:		
Reserved:		
For building department	377,544	577,700
For impact fees collections	814,028	865,478
For infrastructure	1,979,795	1,639,089
For police education	33,236	29,794
For law enforcement	18,525	20,026
Unreserved, undesignated	2,501,494	1,893,743
 Total Fund Balance	 5,724,622	 5,025,830
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 6,959,046	 \$ 6,188,406

CITY OF GROVELAND, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009

	<u>BUDGET</u>	<u>2010 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2009 ACTUAL</u>
Revenues:				
Taxes:				
Ad Valorem	\$ 2,883,100	\$ 2,999,327	\$ 116,227	\$ 3,059,133
Infrastructure surtax	447,600	546,564	98,964	540,306
Franchise fees	411,000	503,198	92,198	453,998
Utility service taxes	629,600	760,088	130,488	682,038
Local option gas tax	79,800	108,139	28,339	98,470
Total Taxes	<u>4,451,100</u>	<u>4,917,316</u>	<u>466,216</u>	<u>4,833,945</u>
Licenses and Permits:				
Professional and occupational Permits	15,000	17,954	2,954	15,388
	<u>113,800</u>	<u>105,730</u>	<u>(8,070)</u>	<u>99,539</u>
Total Licenses and Permits	<u>128,800</u>	<u>123,684</u>	<u>(5,116)</u>	<u>114,927</u>
Intergovernmental:				
State revenue sharing	91,900	104,955	13,055	103,106
Mobile home licenses	5,000	3,920	(1,080)	4,408
Alcoholic beverage licenses	3,000	1,211	(1,789)	1,862
Half-cent sales tax	258,000	323,285	65,285	315,288
One-cent gas tax	23,400	31,886	8,486	31,402
County shared revenue	64,500	65,504	1,004	10,546
Grants	332,700	400,827	68,127	513,258
Total Intergovernmental	<u>778,500</u>	<u>931,588</u>	<u>153,088</u>	<u>979,870</u>
Charges For Services:				
Other public safety charges	36,000	52,091	16,091	41,122
Fire protections services	122,000	121,842	(158)	121,842
Total Charges For Services	<u>158,000</u>	<u>173,933</u>	<u>15,933</u>	<u>162,964</u>

CITY OF GROVELAND, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009

	BUDGET	2010 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2009 ACTUAL
Fines and Forfeitures:				
Court fines	60,000	47,392	(12,608)	57,760
Police education	3,800	4,090	290	3,816
Law enforcement communication	15,000	15,394	394	14,209
Other	35,000	34,047	(953)	1,849
Total Fines and Forfeitures	113,800	100,923	(12,877)	77,634
Miscellaneous Revenues:				
Interest	150,500	166,060	15,560	208,734
Impact fees	95,000	122,446	27,446	90,862
Other income	23,000	74,985	51,985	97,328
Rents	48,500	24,274	(24,226)	20,791
Total Miscellaneous Revenues	317,000	387,765	70,765	417,715
Total Revenues	\$ 5,947,200	\$ 6,635,209	\$ 688,009	\$ 6,587,055

CITY OF GROVELAND, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009

	BUDGET	2010 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2009 ACTUAL
<u>GENERAL GOVERNMENT:</u>				
Legislative:				
City Council:				
Personal services	\$ 60,800	\$ 65,009	\$ (4,209)	\$ 69,982
Operating expenses	32,300	28,245	4,055	30,793
Total Legislative	<u>93,100</u>	<u>93,254</u>	<u>(154)</u>	<u>100,775</u>
Executive:				
Personal services	239,000	196,296	42,704	259,184
Operating expenses	129,500	98,588	30,912	115,198
Capital outlay	5,000	...	5,000	...
Debt service	63,400	57,873	5,527	80,022
Total Executive	<u>436,900</u>	<u>352,757</u>	<u>84,143</u>	<u>454,404</u>
Building Department:				
Personal services	215,000	203,770	11,230	213,045
Operating expenses	168,700	29,163	139,537	20,619
Capital outlay	...	2,183	(2,183)	...
Debt service	5,300	5,276	24	5,276
Total Building Department	<u>389,000</u>	<u>240,392</u>	<u>148,608</u>	<u>238,940</u>
Legal Services:				
City Attorney:				
Operating expenses	74,000	106,321	(32,321)	79,585
Comprehensive Planning:				
Personal services	69,400	32,818	36,582	59,615
Operating expenses	69,200	127,162	(57,962)	129,126
Debt service	5,300	5,276	24	5,276
Total Comprehensive Planning	<u>143,900</u>	<u>165,256</u>	<u>(21,356)</u>	<u>194,017</u>
Total General Government	<u>1,136,900</u>	<u>957,980</u>	<u>178,920</u>	<u>1,067,721</u>
<u>PUBLIC SAFETY:</u>				
Law Enforcement:				
Personal services	1,466,900	1,403,334	63,566	1,407,135
Operating expenses	244,500	260,340	(15,840)	265,632
Capital outlay	155,400	135,448	19,952	32,707
Debt service	110,000	105,108	4,892	84,688
Total Police Department	<u>1,976,800</u>	<u>1,904,230</u>	<u>72,570</u>	<u>1,790,162</u>

CITY OF GROVELAND, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009

	<u>BUDGET</u>	<u>2010 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2009 ACTUAL</u>
<u>PUBLIC SAFETY (CONTINUED):</u>				
Fire Department:				
Personal services	1,141,100	1,131,230	9,870	1,001,140
Operating expenses	97,400	93,915	3,485	121,819
Capital outlay	...	...	...	9,785
Debt service	62,100	58,656	3,444	79,873
Total Fire Department	<u>1,300,600</u>	<u>1,283,801</u>	<u>16,799</u>	<u>1,212,617</u>
Detention:				
Personal services	341,000	346,553	(5,553)	341,791
Operating expenses	13,800	8,586	5,214	12,601
Capital outlay	...	...	...	12,703
Debt service	5,300	5,276	24	5,276
Total Detention	<u>360,100</u>	<u>360,415</u>	<u>(315)</u>	<u>372,371</u>
Code Enforcement:				
Personal services	22,300	22,408	(108)	19,092
Operating expenses	23,700	21,720	1,980	29,711
Debt service	2,300	2,286	14	2,285
Total Fire Department	<u>48,300</u>	<u>46,414</u>	<u>1,886</u>	<u>51,088</u>
Total Public Safety	<u>3,685,800</u>	<u>3,594,860</u>	<u>90,940</u>	<u>3,426,238</u>
<u>TRANSPORTATION:</u>				
Roads and Streets:				
Personal services	241,800	233,077	8,723	305,590
Operating expenses	220,500	204,880	15,620	218,047
Capital outlay	60,000	89,865	...	5,600
Total Transportation	<u>522,300</u>	<u>527,822</u>	<u>24,343</u>	<u>529,237</u>
<u>HUMAN SERVICES:</u>				
Animal Control:				
Personal services	46,600	43,207	3,393	45,394
Operating expenses	8,900	7,650	1,250	8,242
Total Human Services	<u>55,500</u>	<u>50,857</u>	<u>4,643</u>	<u>53,636</u>

CITY OF GROVELAND, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009

	<u>BUDGET</u>	<u>2010 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2009 ACTUAL</u>
<u>CULTURE AND RECREATION:</u>				
Parks and Recreation:				
Personal services	233,300	229,911	3,389	134,974
Operating expenses	117,800	98,311	19,489	127,578
Capital outlay	102,000	56,716	45,284	123,820
Debt service	2,300	2,285	15	2,285
Total Culture and Recreation	<u>455,400</u>	<u>387,223</u>	<u>68,177</u>	<u>388,657</u>
Total Expenditures	<u>\$ 5,855,900</u>	<u>\$ 5,518,742</u>	<u>\$ 367,023</u>	<u>\$ 5,465,489</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfer to CRA Fund	\$ (282,300)	\$ (282,030)	\$ 270	\$ (293,985)
Transfer to Water & Sewer Fund	<u>(1,028,800)</u>	<u>(135,645)</u>	893,155	<u>(86,434)</u>
Total Other Financing Uses	<u>\$ (1,311,100)</u>	<u>\$ (417,675)</u>	<u>\$ 893,425</u>	<u>\$ (380,419)</u>

CITY OF GROVELAND, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUDGET	2010 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Ad Valorem taxes	\$ 296,400	\$ 289,221	\$ (7,179)
Charges for services	5,000	1,367	(3,633)
Miscellaneous Revenues			
Contributions	2,500	4,600	2,100
Total Revenues	<u>303,900</u>	<u>295,188</u>	<u>(8,712)</u>
Expenditures:			
Personnel services	62,800	62,604	196
Operating expenses	202,200	131,893	70,307
Capital outlay	1,533,700	72,238	1,461,462
Debt service	271,700	267,335	4,365
Total Expenditures	<u>2,070,400</u>	<u>534,070</u>	<u>1,536,330</u>
Excess of Revenues Over (Under) Expenditures	(1,766,500)	(238,882)	1,527,618
Other Financing Sources			
Transfer from general fund	282,300	282,030	(270)
Proceeds from debt issuance	951,000	...	(951,000)
Total Other Financing Sources	<u>1,233,300</u>	<u>282,030</u>	<u>(951,270)</u>
Fund Balance - Beginning of Year	<u>501,416</u>	<u>501,416</u>	<u>...</u>
Fund Balance - End of Year	<u>\$ (31,784)</u>	<u>\$ 544,564</u>	<u>\$ 576,348</u>

OTHER REPORTS

CLERMONT OFFICE

Jerry D. Brown, C.P.A.

Herbert John Greenlee, Jr. C.P.A.

Suzanne M. Brownlee, C.P.A.



**GREENLEE
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RICE &
BROWN, PA**
CERTIFIED PUBLIC
ACCOUNTANTS

MOUNT DORA OFFICE

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Allan L. Silbernagel, C.P.A.

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

The Honorable Mayor and City Council
City of Groveland, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Groveland, Florida as of and for the year ended September 30, 2010, which collectively comprise the City of Groveland, Florida's basic financial statements and have issued our report thereon dated May 4, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Groveland, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Groveland, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Groveland, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Groveland, Florida's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that

a misstatement of the City of Groveland, Florida's financial statements that is more than inconsequential will not be prevented or detected by the City of Groveland, Florida's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Groveland, Florida's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Groveland, Florida's financial statements are free of 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**.

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

Greenlee, Kurras, Rice & Brown, P.A.

Mount Dora, Florida

May 4, 2011

CLERMONT OFFICE

Jerry D. Brown, C.P.A.

Herbert John Greenlee, Jr. C.P.A.

Suzanne M. Brownlee, C.P.A.



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MANAGEMENT LETTER

The Honorable Mayor and City Commissioners
City of Groveland, Florida

We have audited the financial statements of the City of Groveland, Florida, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated May 4, 2011.

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. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting. Disclosures in those reports and schedule, which are dated May 4, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless other wise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective action has been taken to address significant findings and recommendations made in the preceding annual financial audit report. No recommendations were made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuses that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, requires, based upon professional judgement, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that comes to the attention of, the auditor.

Section 10.554(1)(i)6., 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 City of Groveland was established by Special Acts of 1923 of the State of Florida, Chapter 9764. The City had no component units.

Section 10.554(1)(i)7a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City of Groveland did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Groveland for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 2187.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

Section 10.554(1)(i)7c., and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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 the same.

This management letter is intended solely for the information City of Groveland and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Greenlee, Kurras, Rice & Brown, P.A.