

**CITY OF GROVELAND, FLORIDA
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2012**

**CITY OF GROVELAND, FLORIDA
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2012**

Mayor	Michael Radzik
Vice-Mayor	Tim Loucks
Councilman	James Smith
Councilman	Jared Mincey
Councilman	John Griffin
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, 2012**

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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, 2012, 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, 2012, 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 23, 2013 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 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Groveland, Florida. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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, Kurnas, Rice + Braun, PA

Mount Dora, Florida
May 23, 2013

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, 2012. 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, 2012 by \$43,471,930 (net assets). Of this amount, \$1,791,091 (unrestricted net assets) may be used to meet the City's ongoing obligations to its customers and creditors. The City's total net assets increased \$750,234.

The City outstanding debt is \$12,424,492 and accrued compensated absences for its employees is \$359,098. The total amount outstanding at September 30, 2012 was \$12,783,590 of which \$633,846 is classified as current and \$12,149,744 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 (74%) 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 5,550,503	\$ 6,119,774	\$ 6,818,973	\$ 6,117,068	\$12,369,476	\$12,236,842
Capital assets	<u>14,436,104</u>	<u>14,771,184</u>	<u>31,901,909</u>	<u>32,059,738</u>	<u>46,338,013</u>	<u>46,830,922</u>
Total assets	19,986,607	20,890,958	38,720,882	38,176,806	58,707,489	59,067,764
Long-term liabilities	4,083,780	4,829,699	9,837,131	10,209,704	13,920,911	13,863,003
Other liabilities	<u>505,364</u>	<u>527,884</u>	<u>809,284</u>	<u>778,781</u>	<u>1,314,648</u>	<u>1,306,665</u>
Total liabilities	4,589,144	5,357,583	10,646,415	10,988,485	15,235,559	16,346,068
Net assets:						
Invested in capital assets, net of related debt	9,532,417	9,824,472	22,791,586	22,826,802	32,324,003	32,651,274
Restricted	3,842,038	4,133,796	5,514,798	4,939,657	9,356,836	9,073,453
Unrestricted	<u>2,023,008</u>	<u>1,575,107</u>	<u>(231,917)</u>	<u>(578,138)</u>	<u>1,791,091</u>	<u>996,969</u>
Total net assets	<u>\$15,397,463</u>	<u>\$ 15,533,375</u>	<u>\$ 28,074,467</u>	<u>\$27,188,321</u>	<u>\$43,471,930</u>	<u>\$42,721,696</u>

An additional portion of the City’s net assets (22%) represents resources that are subject to external restrictions on how they may be spent. The remaining balance of unrestricted net assets (\$1,791,091) 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 \$11,739,542 and capital assets, net of accumulated depreciation of approximately \$46,338,013.

Current liabilities total \$1,314,648 which consist primarily of \$211,750 of accounts payable and accrued liabilities and \$406,650 of the current portion of long-term debt and capital leases.

Net assets increased \$750,234 over the prior year to \$43,471,930. The major components of this category is “invested in capital assets, net of related debt,” \$32,324,003 which is the City’s investment in its net capital assets (original cost less accumulated depreciation, less debt) and restricted net assets of \$9,356,836.

Governmental Activities

Governmental activities decreased the City’s overall net assets by \$135,912. While the City experienced a 10% decline in property taxes, this was offset by a 100% increase in impact fees and 9% increase in sales and gas taxes.

Variances in governmental activities include:

- Net charges for services decreased \$41,043 compared to the prior year due to the prior year collecting more code enforcement fines.
- Property taxes decreased \$259,224 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	\$ 542,858	9%
Property taxes	2,405,159	41%
Sales and gas taxes	1,236,858	21%
Franchise and utility taxes	1,265,156	21%
Impact fees	254,142	4%
Grants and contributions	135,991	2%
Investment earnings	43,440	1%
Other revenues	<u>26,795</u>	<u>1%</u>
	<u>\$ 5,910,399</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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for service	\$ 542,858	\$ 583,901	\$ 4,355,304	\$ 4,209,043	\$ 4,898,162	\$ 4,792,944
Grants and contributions	135,991	223,600	583,915	302,730	719,906	526,330
General revenues:						
Property taxes	2,405,159	2,664,383	...	...	2,405,159	2,664,383
Other taxes	2,502,014	2,381,560	...	...	2,502,014	2,381,560
Impact fees	254,142	127,090	525,857	481,933	779,999	609,023
Other and interfund transfers	<u>26,795</u>	<u>(15,000)</u>	<u>46,291</u>	<u>147,350</u>	<u>73,086</u>	<u>132,250</u>
Total revenues	5,910,399	5,965,534	5,511,367	5,141,056	12,231,411	11,106,490
Expenses:						
General government	682,154	702,845	...	...	682,154	702,845
Public safety	3,496,334	3,499,170	...	...	3,496,334	3,499,170
Building department	170,096	167,102	...	...	170,096	167,102
Roads and streets	921,264	958,725	...	...	921,264	958,725
Parks and recreation	403,883	415,612	...	...	403,883	415,612
Community redevelopment	266,970	265,189	...	...	266,970	265,189
Interest on long-term debt	105,610	175,909	384,256	393,421	498,866	569,330
Legal settlement	...	...	...	1,240,000	...	1,240,000
Water	...	...	1,738,361	1,751,913	1,738,361	1,751,913
Sewer and sanitation	<u>...</u>	<u>...</u>	<u>2,756,104</u>	<u>2,658,004</u>	<u>2,756,104</u>	<u>2,658,004</u>
Total expenses	6,046,311	6,184,552	4,878,721	6,043,338	10,925,032	12,227,890
Increase (decrease) in net assets net of transfers	(135,912)	(219,018)	886,146	(902,382)	750,234	(1,121,400)
Net assets beginning	<u>15,533,375</u>	<u>15,752,393</u>	<u>27,188,321</u>	<u>28,090,703</u>	<u>42,721,696</u>	<u>43,843,096</u>
Net assets ending	<u>\$ 15,397,463</u>	<u>\$ 15,533,375</u>	<u>\$ 28,074,467</u>	<u>\$ 27,188,321</u>	<u>\$ 43,471,930</u>	<u>\$ 42,721,696</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 increased the City's overall net assets by \$886,146.

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 \$5,217,431 a decrease of \$583,007 in comparison with the prior year. Approximately 19% of this total amount (\$989,813) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balances is *restricted or committed* to indicate that it is not available for new spending because it has already been committed 1) parks and recreation and city administrative capital expenditures (\$890,622), 2) police education (\$27,093), 3) city infrastructure (\$1,413,426) and 4) building department expenditures (\$85,648).

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 \$989,813, while total fund balance was \$4,831,851.

The fund balance of the City's general fund decreased by \$567,609 during the current fiscal year. Key factors in this are as follows:

- Inter-fund transfers of \$448,507 to the CRA and Water and Sewer Funds.
- Decrease in property taxes of \$225,195.

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 2012 decreased \$34,029 to \$184,457 compared to the prior year collection of \$218,486. The City treats their payment of taxes as an inter-fund transfer. Fees from developers increased \$6,200 to \$11,800 compared to the prior year of \$5,600.

Expenditures were \$1,023,890 lower than the prior year primarily due to the pay-off of the line-of-credit in the prior year. This line-of-credit was converted into a six-year loan.

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 a deficit of \$231,917. This deficit is a result of a legal settlement in the prior year. For the current year, the total increase in net assets was \$886,146. Factors concerning the finances of this fund have 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, 2011, amounts to \$46,338,013 (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 1.00%.

CITY OF GROVELAND
(net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 9,072,791	\$ 9,072,791	\$ 1,160,332	\$ 1,160,332	\$ 10,233,123	\$ 10,233,123
Building	1,085,478	1,165,530	118,109	124,155	1,203,587	1,289,685
Infrastructure and improvements	2,789,561	3,080,505	21,061	24,988	2,810,622	3,105,493
Equipment	1,488,274	1,452,358	485,736	448,426	1,974,010	1,900,784
Water and sewer system	.....	.....	<u>30,116,671</u>	<u>30,301,837</u>	<u>30,116,671</u>	<u>30,301,837</u>
Total assets	<u>\$14,436,104</u>	<u>\$14,771,184</u>	<u>\$31,901,909</u>	<u>\$32,059,738</u>	<u>\$46,338,013</u>	<u>\$46,830,922</u>

Long-Term Debt and capital lease - At the end of the fiscal year, the City's total net debt decreased \$958,066 or 7% to \$12,424,492. Of this debt, \$406,650 is due within the next fiscal year. This debt consists of \$8,101,451 of revenue bonds and a \$919,305 note payable secured by water and sewer net revenues, a \$704,213 mortgage loan payable secured by the assignment of tax revenues of the Community Redevelopment Agency, mortgage loans of \$2,696,005 secured by real estate and impact fees and capital lease agreements of \$3,518.

CITY OF GROVELAND
General Obligation Debt and Revenue Bonds

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Notes payable	\$...	\$...	\$ 919,305	\$ 983,742	\$ 919,305	\$ 983,742
Mortgage payable	3,400,218	4,060,362	...	...	3,400,218	4,060,362
Capital leases	3,518	79,025	...	10,236	3,518	89,261
Revenue bonds	.....	.....	<u>8,101,451</u>	<u>8,249,193</u>	<u>8,101,451</u>	<u>8,249,193</u>
Total debt	<u>\$3,403,736</u>	<u>\$4,139,387</u>	<u>\$9,020,756</u>	<u>\$9,243,171</u>	<u>\$12,424,492</u>	<u>\$13,382,558</u>

Compensated Absences - The City had \$290,477 in total compensated absence liabilities in the General Fund as of September 30, 2012 with \$177,678 due in the next fiscal year. The Proprietary Fund had a total of \$68,621 in compensated absence liabilities with \$49,518 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 2012 - 2013 budget at its September 17, 2012 meeting. The 2012 - 2013 General Fund budget of \$10,596,800 includes a millage rate of 5.6000.

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, 2012

	Primary Government		
	Governmental Activities	Business-type Enterprises	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,057,846	\$ 1,178,067	\$ 4,235,913
Receivables	94,603	303,524	398,127
Due from other governments	9,777	...	9,777
Total Current Assets	<u>3,162,226</u>	<u>1,481,591</u>	<u>4,643,817</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	2,376,389	5,127,240	7,503,629
Bond and permit costs (net)	11,888	210,142	222,030
Land	9,072,791	1,160,332	10,233,123
Capital assets, net of accumulated depreciation			
Buildings	1,085,478	118,109	1,203,587
Machinery and equipment	1,488,274	485,736	1,974,010
Infrastructure and improvements	2,789,561	21,061	2,810,622
Water system	...	6,291,350	6,291,350
Sewer system	...	23,825,321	23,825,321
Total Noncurrent Assets	<u>16,824,381</u>	<u>37,239,291</u>	<u>54,063,672</u>
Total Assets	<u>\$ 19,986,607</u>	<u>\$ 38,720,882</u>	<u>\$ 58,707,489</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 129,483	\$ 82,267	\$ 211,750
Due to other governments	12,800	...	12,800
Current portion long-term-debt and capital leases	184,180	222,470	406,650
Interest payable	1,223	29,765	30,988
Compensated absences	177,678	49,518	227,196
Customer deposits	...	425,264	425,264
Total Current Liabilities	<u>505,364</u>	<u>809,284</u>	<u>1,314,648</u>
Noncurrent liabilities:			
Note payable	...	852,826	852,826
Compensated absences	112,799	19,103	131,902
Due to customer	...	1,019,742	1,019,742
Deferred impact fee revenue	751,425	...	751,425
Mortgage liabilities	3,219,556	...	3,219,556
Bonds payable	...	7,945,460	7,945,460
Total Noncurrent Liabilities	<u>4,083,780</u>	<u>9,837,131</u>	<u>13,920,911</u>
Total Liabilities	<u>4,589,144</u>	<u>10,646,415</u>	<u>15,235,559</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,532,417	22,791,586	32,324,003
Net Assets:			
Restricted	3,842,038	5,514,798	9,356,836
Unrestricted	2,023,008	(231,917)	1,791,091
Total Net Assets	<u>15,397,463</u>	<u>28,074,467</u>	<u>43,471,930</u>
Total Liabilities and Net Assets	<u>\$ 19,986,607</u>	<u>\$ 38,720,882</u>	<u>\$ 58,707,489</u>

CITY OF GROVELAND, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 682,154	\$ 281,589	\$...	\$ 3,209	\$ (397,356)	\$...	\$ (397,356)
Public safety	3,496,334	261,269	113,409	...	(3,121,656)	...	(3,121,656)
Building department	170,096	...	...	...	(170,096)	...	(170,096)
Roads and streets	921,264	...	...	...	(921,264)	...	(921,264)
Parks and recreation	403,883	...	7,573	...	(396,310.00)	...	(396,310)
Community redevelopment	266,970	...	11,800	...	(255,170)	...	(255,170)
Interest on long-term debt	105,610	...	...	...	(105,610)	...	(105,610)
Total governmental activities	6,046,311	542,858	132,782	3,209	(5,367,462)	...	(5,367,462)
Business-type activities:							
Water	1,738,361	2,456,983	...	...	...	718,622	718,622
Sewer and sanitation	2,756,104	1,898,321	583,915	...	...	(273,868)	(273,868)
Interest on long-term debt	384,256	...	...	...	...	(384,256)	(384,256)
Total business-type activities	4,878,721	4,355,304	583,915	...	...	60,498	60,498
Total government	\$ 10,925,032	\$ 4,898,162	\$ 716,697	\$ 3,209	\$ (5,367,462)	\$ 60,498	\$ (5,306,964)
General revenues:							
Property taxes					\$ 2,405,159	\$...	\$ 2,405,159
Sales and gas taxes					1,236,858	...	1,236,858
Franchise and utility taxes					1,265,156	...	1,265,156
Impact fees					254,142	525,857	779,999
Miscellaneous revenues					270,771	38,564	309,335
Investment earnings					43,440	7,727	51,167
Gain (loss) on disposal of capital assets					9,524	...	9,524
Interfund transfers					(253,500)	253,500	...
Total general revenues and transfers					5,231,550	825,648	6,057,198
Change in net assets					(135,912)	886,146	750,234
Net assets - beginning					15,533,375	27,188,321	42,721,696
Net assets - ending					\$ 15,397,463	\$ 28,074,467	\$ 43,471,930

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

CITY OF GROVELAND, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>General Fund</u>	<u>Community Redevelopment Agency Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 5,044,726	\$ 389,508	\$ 5,434,234
Receivables	94,603	...	94,603
Due from other governments	9,777	...	9,777
Total assets	<u>\$ 5,149,106</u>	<u>\$ 389,508</u>	<u>\$ 5,538,614</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 128,194	\$ 1,289	\$ 129,483
Accrued interest	...	1,222	1,222
Compensated absences	176,261	1,417	177,678
Due to other governments	12,800	...	12,800
Total liabilities	<u>317,255</u>	<u>3,928</u>	<u>321,183</u>
Fund balances:			
Restricted:			
For building department	85,648	...	85,648
For infrastructure	1,413,426	...	1,413,426
For police education	27,093	...	27,093
For law enforcement	28,288	...	28,288
For community redevelopment	...	385,580	385,580
Committed:			
For impact fees collections	890,622	...	890,622
For general fund sinking fund	1,380,000	...	1,380,000
For parking trust fund	16,961	...	16,961
Unreserved, undesignated			
Unreserved: undesignated	989,813	...	989,813
Total fund balances	<u>4,831,851</u>	<u>385,580</u>	<u>5,217,431</u>
Total liabilities and fund balances	<u>\$ 5,149,106</u>	<u>\$ 389,508</u>	

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.	14,447,992
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,267,960)</u>
Net assets of governmental activities	<u>\$ 15,397,463</u>

CITY OF GROVELAND, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>General Fund</u>	<u>Community Redevelopment Agency Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Ad Valorem	\$ 2,220,702	\$ 184,457	\$ 2,405,159
Sales	583,449	...	583,449
Franchise and utility taxes	1,265,157	...	1,265,157
Local option gas tax	101,642	...	101,642
Licenses and permits	129,006	...	129,006
Intergovernmental	736,239	...	736,239
Charges for services	253,325	...	253,325
Fines and forfeitures	109,193	...	109,193
Impact fees	211,141	...	211,141
Investment earnings	25,834	...	25,834
Miscellaneous	282,284	12,000	294,284
Total Revenues	<u>5,917,972</u>	<u>196,457</u>	<u>6,114,429</u>
EXPENDITURES			
Current:			
General government	795,593	...	795,593
Public safety	3,270,692	...	3,270,692
Road and streets	532,638	...	532,638
Parks and recreation	339,131	...	339,131
Community redevelopment	...	201,413	201,413
Debt service:			
Principal and interest	3,386,018	151,248	3,537,266
Capital Outlay:			
General government	11,840	...	11,840
Public safety	67,015	...	67,015
Road and streets	267,786	...	267,786
Parks and recreation	62,366	...	62,366
Community redevelopment	...	54,201	54,201
Total Expenditures	<u>8,733,079</u>	<u>406,862</u>	<u>9,139,941</u>
Excess of Revenues Over (Under) Expenditures	(2,815,107)	(210,405)	(3,025,512)
Other Financing Sources			
Interfund transfers in (out)	(448,507)	195,007	(253,500)
Proceeds from debt issuance	2,696,005	...	2,696,005
Total Other Financing Sources	<u>2,247,498</u>	<u>195,007</u>	<u>2,442,505</u>
Net change in fund balance	(567,609)	(15,398)	(583,007)
Fund Balances - Beginning of Year	<u>5,399,460</u>	<u>400,978</u>	<u>5,800,438</u>
Fund Balances - Ending of Year	<u>\$ 4,831,851</u>	<u>\$ 385,580</u>	<u>\$ 5,217,431</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, 2012

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

Net change in fund balances - total governmental funds	\$	(583,007)
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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 depreciation exceeded capital outlays in the current period.		335,951
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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.		68,144
---	--	--------

Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.		<u>43,000</u>
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Change in net assets of governmental activities	<u>\$</u>	<u>(135,912)</u>
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CITY OF GROVELAND, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Taxes:				
Ad Valorem	\$ 2,361,600	\$ 2,361,600	\$ 2,220,702	\$ (140,898)
Sales	558,000	558,000	583,449	25,449
Franchise and utilities	1,225,000	1,225,000	1,265,157	40,157
Local option gas tax	125,000	125,000	101,642	(23,358)
Licenses and permits	171,000	171,000	129,006	(41,994)
Intergovernmental	645,700	645,700	736,239	90,539
Charges for services	140,700	140,700	253,325	112,625
Fines and forfeitures	78,000	78,000	109,193	31,193
Impact fees	130,000	130,000	211,141	81,141
Investment earnings	30,000	30,000	25,834	(4,166)
Miscellaneous	95,000	305,800	282,284	(23,516)
	<u>5,560,000</u>	<u>5,770,800</u>	<u>5,917,972</u>	<u>147,172</u>
Expenditures:				
Current:				
General government	1,537,900	1,537,900	1,343,600	194,300
Public safety	6,258,400	6,289,600	6,186,225	103,375
Road and streets	810,500	1,039,800	800,424	239,376
Parks and recreation	866,700	866,700	402,830	463,870
	<u>9,473,500</u>	<u>9,734,000</u>	<u>8,733,079</u>	<u>1,000,921</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,913,500)</u>	<u>(3,963,200)</u>	<u>(2,815,107)</u>	<u>1,148,093</u>
Other Financing Uses:				
Proceeds from debt issuance	2,697,000	2,697,000	2,696,005	995
Transfer out	(1,245,000)	(1,245,000)	(448,507)	796,493
	<u>1,452,000</u>	<u>1,452,000</u>	<u>2,247,498</u>	<u>797,488</u>
Net change in fund balances	(2,461,500)	(2,511,200)	(567,609)	1,945,581
Fund Balance - Beginning	<u>5,399,460</u>	<u>5,399,460</u>	<u>5,399,460</u>	<u>...</u>
Fund Balance - Ending	<u>\$ 2,937,960</u>	<u>\$ 2,888,260</u>	<u>\$ 4,831,851</u>	<u>\$ 1,945,581</u>

CITY OF GROVELAND, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
WATER, SEWER AND SANITATION FUND
SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2011

<u>ASSETS</u>	TOTALS	
	2012	2011
Current Assets:		
Cash and cash equivalents	\$ 1,178,067	\$ 950,944
Accounts receivable	303,524	277,654
Prepaid expenses	...	7,452
Total Current Assets	1,481,591	1,236,050
Restricted Assets:		
Cash and cash equivalents:		
Customer deposits	425,414	398,975
Impact fees	4,035,407	3,629,425
Debt service	179,720	174,700
Water revenue bonds - reserve	486,699	448,276
Total Restricted Cash and Cash Equivalents	5,127,240	4,651,376
Deferred Charges:		
Bond issuance cost	101,679	101,679
Permit costs	258,569	258,569
	360,248	360,248
Less accumulated amortization	150,106	130,606
Net Deferred Charges	210,142	229,642
Property, Plant and Equipment:		
Land	1,160,332	1,160,332
Buildings and improvements	358,476	358,476
Water system	9,729,154	9,594,365
Sewer system	30,490,210	29,679,195
Equipment	1,512,236	1,396,462
	43,250,408	42,188,830
Less accumulated depreciation	11,348,499	10,129,092
Net Property, Plant and Equipment	31,901,909	32,059,738
TOTAL ASSETS	\$ 38,720,882	\$ 38,176,806

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

	<u>TOTALS</u>	
	<u>2012</u>	<u>2011</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts payable and accrued expenses	\$ 82,267	\$ 85,368
Compensated absences	49,518	41,333
Current portion of long-term debt and capital lease	66,479	75,073
	<u>198,264</u>	<u>201,774</u>
Current Liabilities (Payable From Restricted Assets):		
Customer deposits	425,264	398,900
Revenue bonds	155,991	147,742
Accrued interest	29,765	30,365
	<u>611,020</u>	<u>577,007</u>
Long-Term Liabilities:		
Compensated absences	19,103	12,948
Revenue bonds	7,945,460	8,101,451
Due to customer	1,019,742	1,176,400
Notes payable	852,826	918,905
	<u>9,837,131</u>	<u>10,209,704</u>
TOTAL LIABILITIES	<u>10,646,415</u>	<u>10,988,485</u>
Net Assets:		
Invested in capital assets, net of related debt	22,791,586	22,826,802
Restricted	5,514,798	4,939,657
Unrestricted	(231,917)	(578,138)
	<u>28,074,467</u>	<u>27,188,321</u>
TOTAL NET ASSETS	<u>28,074,467</u>	<u>27,188,321</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,720,882</u>	<u>\$ 38,176,806</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, 2012
WITH COMPARITIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	TOTALS	
	2012	2011
Operating Revenues:		
Water sales pledged as security for revenue bonds	\$ 2,299,054	\$ 2,269,539
Sanitation fees	693,714	662,038
Sewer charges pledged as security for revenue bonds	1,204,607	1,147,650
Meter installations	56,629	29,558
New connections	47,605	45,009
Delinquent and late fees	53,695	55,249
	4,355,304	4,209,043
Operating Expenses:		
Personal services	1,305,745	1,286,994
Operating expenses	961,293	971,712
Utility services	288,931	278,994
Repairs and maintenance	334,329	270,544
Engineering	223,049	190,520
Insurance	142,211	126,516
Depreciation and amortization	1,238,907	1,284,637
	4,494,465	4,409,917
Operating Income (Loss)	(139,161)	(200,874)
Nonoperating Revenues (Expenses):		
Impact fees	525,857	481,833
Grant revenue	583,915	302,730
Interest revenue	7,727	20,172
Miscellaneous revenue (expense)	292,064	127,178
Legal settlement	. . .	(1,240,000)
Interest expense	(384,256)	(393,421)
	1,025,307	(701,508)
Net Income (Loss)	886,146	(902,382)
Net Assets - Beginning of Year	27,188,321	28,090,703
Net Assets - End of Year	\$ 28,074,467	\$ 27,188,321

CITY OF GROVELAND, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
WATER, SEWER AND SANITATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	TOTALS	
	2012	2011
Cash Flows From Operating Activities:		
Cash received from customers	\$ 4,426,276	\$ 4,272,429
Cash payments to suppliers for goods and services	(1,945,462)	(1,905,775)
Cash payments for employee services	(1,291,405)	(1,286,169)
Net Cash Provided From Operating Activities	1,189,409	1,080,485
Cash Flows From Noncapital Financing Activities:		
Utility deposits received from (paid to) customers	26,364	18,400
Net Cash Provided From Noncapital Financing Activities	26,364	18,400
Cash Flows From Capital and Related Financing Activities:		
Principal paid on revenue bonds and notes payable	(222,415)	(222,293)
Acquisition and construction of capital assets	(1,023,014)	(500,255)
Interest paid on revenue bonds and notes payable	(384,856)	(394,000)
Proceeds from impact fees	525,857	481,833
Proceeds from grants	583,915	302,730
Net Cash Used by Capital and Related Financing Activities	(520,513)	(331,985)
Cash Flows From Investing Activities:		
Interest and other	7,727	20,172
Net Cash Provided From Investing Activities	7,727	20,172
Net decrease in cash and cash equivalents	702,987	787,072
Cash and cash equivalents at beginning of year	5,602,320	4,815,248
Cash and cash equivalents at end of year	\$ 6,305,307	\$ 5,602,320

CITY OF GROVELAND, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
WATER, SEWER AND SANITATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2011

	TOTALS	
	2012	2011
Reconciliation Of Operating Income (Loss) To Net Cash Provided From Operating Activities:		
Operating Loss	\$ (139,161)	\$ (264,474)
Adjustment To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation and amortization	1,238,907	1,284,637
(Increase) decrease in accounts receivable	(30,361)	(192)
(Increase) decrease in prepaid assets	7,452	(7,452)
Increase (decrease) in accounts payable	(3,101)	(60,038)
Increase (decrease) in compensated absences	14,340	826
Interfund transfers	253,500	127,178
Bad debt expense	4,491	...
Due to customer	(156,658)	...
Total Adjustments	1,328,570	1,344,959
Net Cash Provided From Operating Activities	\$ 1,189,409	\$ 1,080,485

CITY OF GROVELAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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.

CITY OF GROVELAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

CITY OF GROVELAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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 hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. 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.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.

CITY OF GROVELAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

6. 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
7. 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. *Fund Balance* - The City adopted **GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions** as of September 30, 2011. Two primary purposes of GASB No. 54 are to provide new fund balance reporting classification in the government funds and to redefine governmental fund types. It eliminates reporting fund balances as either reserved or unrestricted, the designation of unreserved fund balance and special revenue funds that are not financed primarily by a revenue source that is restricted or committed to a specific purpose.

The five classifications of fund balances in highest restriction order are as follows:

Non-spendable represents amounts that cannot be spent because they are not in a spendable form or are amounts that are legally or contractually required to remain intact.

Restricted represents amounts that are externally restricted by creditors, grantors, contributors, or laws or regulations of other governments and can be enforceable by external parties. Restrictions can be imposed by law through constitutional provisions or enabling legislation.

CITY OF GROVELAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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Committed represents amounts that arise when the City's highest level of decision-making authority, the City Council, imposes constraints on the use of resources by appropriate formal action which is by city ordinance. These accounts cannot be used for another purpose unless the governing body first removes the original constraint by formal action. These amounts include resources that must be set aside to satisfy contractual obligations.

Assigned represents amounts that are intended to be used for a specified purpose but that are neither restricted nor committed. The decision to assign these amounts can be made at any level of decision-making authority in the City to whom the City Council delegates assignment authority. Assigned fund balance is the residual fund balance category of any governmental fund except the general fund.

Unassigned is the residual fund balance classification for the general fund. It represents spendable general fund assets that are not restricted, committed or assigned to specific purposes.

If available, the City uses restricted resources first towards incurred expenditures before using other resources. The order of spending other resources is to use committed, then assigned, then unassigned.

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:

CITY OF GROVELAND, FLORIDA
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	<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

CITY OF GROVELAND, FLORIDA
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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)	\$ 4,878,721
Add: Principal payments	222,415
Capital outlay	1,061,578
Less: Depreciation and amortization	<u>1,238,907</u>

CITY OF GROVELAND, FLORIDA
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Actual (Budget Basis)	4,923,807
Budget	<u>5,309,600</u>
Variance – favorable (unfavorable)	<u>\$ 385,793</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.”

CITY OF GROVELAND, FLORIDA
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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.

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	\$219,504	\$219,504

4. Receivables:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
<u>Receivable</u>			
Franchise fees	\$ 46,160	\$...	\$ 46,160
Utility taxes	48,443	...	48,443
Accounts	...	<u>332,021</u>	<u>332,021</u>
Gross receivables	94,603	332,021	426,624
Less: allowance for uncollectible	...	<u>(28,497)</u>	<u>(28,497)</u>
Net receivable	<u>\$ 94,603</u>	<u>\$ 303,524</u>	<u>\$ 398,127</u>

CITY OF GROVELAND, FLORIDA
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SEPTEMBER 30, 2012

5. General Fixed Assets:

A summary of changes in general fixed assets follows:

	Balance October 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Depreciation</u>	Balance September 30, <u>2012</u>
Land	\$ 9,072,791	\$...	\$...	\$...	\$ 9,072,791
Buildings	1,961,462	14,500	...	...	1,975,962
Infrastructure and improvements	7,540,3678	305,621	...	...	7,845,989
Equipment	<u>3,636,634</u>	<u>93,380</u>	<u>...</u>	<u>...</u>	<u>3,730,014</u>
Total	22,211,255	413,501		...	22,624,756
Less accumulated depreciation	<u>(7,440,070)</u>	<u>...</u>	<u>...</u>	<u>(748,582)</u>	<u>(8,188,652)</u>
Net fixed assets	<u>\$ 14,771,185</u>	<u>\$ 413,501</u>	<u>\$...</u>	<u>\$ (748,582)</u>	<u>\$ 14,436,104</u>

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

Governmental activities:	
General government	\$ 46,040
Public safety	228,897
Road and street	399,533
Physical environment	62,755
Community redevelopment	<u>11,357</u>
Total depreciation expense – governmental activities	<u>\$ 748,582</u>

6. Proprietary Fund Fixed Assets:

A summary of proprietary fund fixed assets at September 30, 2012, follows:

	Balance October 1, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Depreciation</u>	Balance September 30, <u>2011</u>
Land	\$ 1,160,332	\$...	\$...	\$...	\$ 1,160,332
Building	221,078	221,078
Infrastructure & improvements	137,398	137,398

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Water system	9,594,365	134,789	9,729,154
Sewer system	29,679,195	811,015	30,490,210
Equipment	<u>1,396,462</u>	<u>115,774</u>	<u>...</u>	<u>...</u>	<u>1,512,236</u>
Total	42,188,830	1,061,578	...	...	43,250,408
Less accumulated depreciation	<u>(10,129,092)</u>	<u>...</u>	<u>...</u>	<u>(1,219,407)</u>	<u>(11,348,499)</u>
Net fixed assets	<u>\$ 32,059,738</u>	<u>\$ 1,061,578</u>	<u>\$...</u>	<u>\$ (1,219,407)</u>	<u>\$ 31,901,909</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

CITY OF GROVELAND, FLORIDA
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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 4% of the monthly compensation of each participant. The City's total payroll for the year ended September 30, 2012 was \$3,949,844. The City's contribution of \$147,010 was calculated on covered payroll of \$3,675,754.

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, 2012.

	Balance October 1, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2012</u>
Compensated absences	\$ 106,038	\$ 6,761	\$...	\$ 112,799
Mortgage payable	<u>4,060,361</u>	<u>2,696,005</u>	<u>(3,356,148)</u>	<u>3,400,218</u>
	<u>\$ 4,166,399</u>	<u>\$ 2,702,766</u>	<u>\$ (3,356,148)</u>	<u>\$ 3,513,017</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, 2012:

Compensated absences represent the general fund's liability for accrued personal leave. \$ 112,799

Mortgage payable to bank, dated September 26, 2012 for \$2,696,005, interest rate of 2.40%, principal and interest payments in semi-annual installments with total principal and accrued un-paid interest due October 1, 2019. The loan is secured by 100% of the City's law enforcement and fire impact fees. If the impact fees are insufficient to pay the required debt, then the loan will be paid from communication service tax collected by the City. The first payment of \$75,543 is due April 1, 2013 and the amount due for each subsequent payment increases by 1.17%. 2,696,005

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Mortgage payable to bank, dated August 2, 2011 for \$850,000, interest rate of 2.08%, principal and interest payments of \$12,568 in monthly installments for 72 months. Secured by assignment of tax revenues from the Community Redevelopment Agency.	<u>704,213</u>
Total	<u>\$ 3,513,017</u>

Interest expense of \$15,937 was a direct expense of the Community Redevelopment Agency and interest expense of \$101,864 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, 2012:

	Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012
Compensated absences	\$ 12,949	\$ 6,154	\$...	\$ 19,103
USDA water revenue bonds payable	781,000	...	(30,000)	751,000
USDA sewer revenue bonds payable	1,521,000	...	(39,000)	1,482,000
USDA water and sewer bond payable	1,845,648	...	(24,437)	1,821,211
USDA water and sewer bond payable	4,101,545	...	(54,305)	4,047,240
Note payable – State of Florida	<u>983,742</u>	<u>...</u>	<u>(64,837)</u>	<u>918,905</u>
	<u>\$ 9,245,884</u>	<u>\$ 6,154</u>	<u>\$ (212,579)</u>	<u>\$ 9,039,459</u>

The long-term debt of the proprietary fund is comprised of the following at September 30, 2012:

Compensated absences representing the long-term portion of the proprietary fund liability for accrued vacation and sick leave.	\$ 19,103
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.	641,000
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.	110,000
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.	1,103,000
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.	379,000

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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.	4,047,240
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.	1,821,211
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>918,905</u>
Total	<u>\$ 9,039,459</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, 2012, 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, 2012, including interest payments of \$7,315,579 are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	<u>Proprietary Fund</u>
2013	226,356	598,930
2014	304,555	598,930
2015	308,169	597,230
2016	311,869	598,430
2017	303,032	597,380
2018 – 2022	2,495,573	2,991,302
2023 – 2027	...	2,719,481
2028 – 2032	...	2,268,217
2033 – 2037	...	1,736,867
2038 – 2042	...	1,620,317

CITY OF GROVELAND, FLORIDA
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2042 – 2046	<u>112,799</u>	<u>1,315,356</u>
Total	<u>\$ 3,949,554</u>	<u>\$ 15,642,440</u>

9. Capital Leases:

The City leases computer and related equipment under a capital lease in the fiscal year ending September 30, 2012. 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, 2012 are as follows:

<u>Year ending September 30:</u>	<u>Amount</u>
2013	\$ <u>3,554</u>
Total minimum lease payments	3,554
Less imputed interest	<u>36</u>
Present value of net minimum lease payment	3,518
Less current maturities	<u>3,518</u>
	<u>\$. . .</u>

10. Fund Balances and Retained Earnings:

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

Restricted imposed by law through constitutional provisions or enabling legislation.

Reserved for Infrastructure - \$1,413,426 reserved by state statute for capital expenditures.

Reserved for Police Education - \$27,093 reserved by state statute for education of police officers.

Reserved for Law Enforcement - \$28,288 reserved specifically for drug investigations.

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Reserved for Building Department - \$85,648 reserved by state statute for building department expenditures.

Committed by city ordinance.

Reserved for Impact Fees - \$890,622 reserved by City ordinance for public safety, park and recreational and city administrative capital expenditures.

Reserved for General Fund Sinking Fund - \$1,380,000 reserved by City ordinance for daily cash flow needs, to maintain investment grade bond ratings, offset economic downturn and revenue shortfalls, and provide funds for unforeseen expenditures due to emergencies.

Reserved for Parking Trust Fund - \$16,691 reserved by City ordinance for parking related expenditures.

Unassigned.

Unassigned - \$989,813 that are not restricted, committed or assigned to specific purposes.

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

Restricted for debt service - Funds reserved for debt service payments.	\$ 874,257
Restricted for water and sewer system expansion	<u>4,640,541</u>
Total restricted balance at September 30, 2012	<u>\$ 5,514,798</u>

CITY OF GROVELAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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11. Grants:

The City received the following intergovernmental grants:

Florida Department of Laws Enforcement

Criminal justice grant - equipment purchases	\$ 6,132
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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 filed motions to recover attorneys' fees against the City as allowed under Florida state statutes. 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. As of September 30, 2012, the Niagara had a credit of \$1,019,742 which is reported as Due to Customer in the financial statements.

13. State Board of Administration

At September 30, 2012, the City had \$219,504 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

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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, 2012, the City had \$44,188 and \$175,317 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.

CITY OF GROVELAND, FLORIDA
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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, 2012, is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total Proprietary Fund</u>
Operating Activities				
Operating revenues	\$ 2,378,019	\$ 1,283,572	\$ 693,714	\$ 4,355,304
Operating expense	(1,328,952)	(1,485,687)	(440,919)	(3,255,558)
Depreciation	<u>(411,655)</u>	<u>(827,252)</u>	...	<u>(1,238,907)</u>
Operating Income	637,412	(1,029,311)	252,795	(139,161)
Non-Operating Income (Expense)				
Impact fees	164,764	361,093	...	525,857
Interest expenses	(38,877)	(345,379)	...	(384,256)
Transfers	...	253,500	...	253,500
Other non-operating income	<u>19,282</u>	<u>610,924</u>	...	<u>630,206</u>
Total non-operating income (expenses)	145,169	880,138	...	1,025,307
Net Income (loss)	782,581	(149,230)	252,795	886,146
Cash Flow				
Cash flow - provided (used)				
Operating activities	1,049,067	(163,432)	252,795	1,191,845
Noncapital financing	26,364	...	...	26,364
Capital financing	(141,090)	(381,859)	...	(552,949)
Investing activities	<u>7,727</u>	...	...	<u>7,727</u>
Total cash provided (used)	942,068	(545,291)	252,795	702,987
Beginning cash	6,063,104	(514,199)	53,415	5,602,320
Ending cash	7,005,172	(1,059,490)	252,795	6,305,307

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Assets				
Current assets	740,796	434,586	306,210	1,481,591
Capital assets	7,183,969	24,717,940	...	31,901,909
Other assets	<u>4,899,102</u>	<u>438,281</u>	...	<u>5,337,382</u>
Total assets	12,823,866	25,590,806	306,210	38,720,882
Current liabilities	556,800	252,484	...	809,284
Long-term liabilities	<u>2,470,125</u>	<u>7,367,006</u>	...	<u>9,837,131</u>
Total liabilities	3,026,925	7,619,490	...	10,646,415
Net Assets				
Beginning net assets	10,690,581	16,444,325	53,415	27,188,321
Changes in net assets	<u>782,581</u>	<u>(149,230)</u>	<u>252,795</u>	<u>886,146</u>
Ending net assets	11,473,162	16,295,095	306,210	28,074,467
Invested in assets, net	5,647,185	17,144,401	...	22,791,586
Restricted	4,947,520	567,278	...	5,514,798
Unrestricted	<u>878,457</u>	<u>(1,416,584)</u>	<u>306,210</u>	<u>(231,917)</u>
	<u>\$ 11,473,162</u>	<u>\$ 16,295,095</u>	<u>\$ 306,210</u>	<u>\$ 28,074,467</u>

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, 2011.

16. Inter-fund Transfer

The City transferred \$195,007 from the general fund to the special revenue fund (CRA) for its assessed portion of taxes in the CRA district and \$253,500 to the water and sewer fund for operating expenses. The CRA funds will be used to redevelop blighted areas.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF GROVELAND, FLORIDA
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2011

<u>ASSETS</u>	<u>TOTALS</u>	
	2012	2011
Cash and cash equivalents	\$ 5,044,726	\$ 5,618,252
Accounts receivable	94,603	69,653
Due from other governmental units	9,777	7,220
TOTAL ASSETS	\$ 5,149,106	\$ 5,695,125
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 128,194	\$ 76,708
Accrued interest payable	. . .	61,479
Compensated absences	176,261	151,531
Due to other governments	12,800	3,469
Total Liabilities	317,255	293,187
Fund Balance:		
Restricted:		
For building department	85,648	221,126
For infrastructure	1,413,426	1,665,477
For police education	27,093	35,761
For law enforcement	28,288	27,766
Committed:		
For impact fees collections	890,622	848,955
For general fund sinking fund	1,380,000	1,320,000
For parking trust fund	16,961	14,711
Unreserved, undesignated	989,813	1,268,142
Total Fund Balance	4,831,851	5,401,938
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,149,106	\$ 5,695,125

CITY OF GROVELAND, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2011

	<u>BUDGET</u>	<u>2012 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2011 ACTUAL</u>
Revenues:				
Taxes:				
Ad Valorem	\$ 2,361,600	\$ 2,220,702	\$ (140,898)	\$ 2,445,897
Infrastructure surtax	558,000	583,449	25,449	558,660
Franchise fees	469,000	482,423	13,423	489,160
Utility service taxes	756,000	782,734	26,734	760,954
Local option gas tax	125,000	101,642	(23,358)	105,057
	<u>4,269,600</u>	<u>4,170,950</u>	<u>(98,650)</u>	<u>4,359,728</u>
Licenses and Permits:				
Professional and occupational Permits	15,000	15,892	892	12,730
	<u>156,000</u>	<u>113,114</u>	<u>(42,886)</u>	<u>94,749</u>
	<u>171,000</u>	<u>129,006</u>	<u>(41,994)</u>	<u>107,479</u>
Intergovernmental:				
State revenue sharing	96,000	129,792	33,792	113,779
Mobile home licenses	5,500	5,137	(363)	4,180
Alcoholic beverage licenses	2,000	1,505	(495)	1,407
Half-cent sales tax	351,900	393,503	41,603	324,364
One-cent gas tax	26,000	28,472	2,472	29,586
County shared revenue	53,100	56,849	3,749	64,798
Grants	111,200	120,981	9,781	215,015
	<u>645,700</u>	<u>736,239</u>	<u>90,539</u>	<u>753,129</u>
Charges For Services:				
Other public safety charges	49,200	169,558	120,358	55,859
Fire protections services	91,500	83,767	(7,733)	121,842
	<u>140,700</u>	<u>253,325</u>	<u>112,625</u>	<u>177,701</u>

CITY OF GROVELAND, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2011

	<u>BUDGET</u>	<u>2012 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2011 ACTUAL</u>
Fines and Forfeitures:				
Court fines	60,000	48,865	(11,135)	52,848
Police education	5,000	3,413	(1,587)	4,176
Law enforcement communication	2,500	. . .	(2,500)	1,065
Other	10,500	56,915	46,415	176,823
Total Fines and Forfeitures	<u>78,000</u>	<u>109,193</u>	<u>31,193</u>	<u>234,912</u>
Miscellaneous Revenues:				
Interest	30,000	25,834	(4,166)	30,613
Impact fees	130,000	211,141	81,141	114,192
Other income	248,800	259,622	10,822	53,497
Rents	57,000	22,662	(34,338)	24,342
Total Miscellaneous Revenues	<u>465,800</u>	<u>519,259</u>	<u>53,459</u>	<u>222,644</u>
Total Revenues	<u>\$ 5,770,800</u>	<u>\$ 5,917,972</u>	<u>\$ 147,172</u>	<u>\$ 5,855,593</u>

CITY OF GROVELAND, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2011

	BUDGET	2012 ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2011 ACTUAL
<u>GENERAL GOVERNMENT:</u>				
Legislative:				
City Council:				
Personal services	\$ 74,900	\$ 73,345	\$ 1,555	\$ 57,850
Operating expenses	49,900	41,066	8,834	27,620
Total Legislative	<u>124,800</u>	<u>114,411</u>	<u>10,389</u>	<u>85,470</u>
Executive:				
Personal services	190,600	188,924	1,676	189,600
Operating expenses	121,700	111,256	10,444	96,535
Capital outlay	...	...	...	22,742
Debt service	550,400	532,166	18,234	564,242
Total Executive	<u>862,700</u>	<u>832,346</u>	<u>30,354</u>	<u>873,119</u>
Building Department:				
Personal services	157,500	153,048	4,452	148,116
Operating expenses	127,200	13,065	114,135	17,878
Capital outlay	13,000	11,840	1,160	2,215
Debt service	5,300	2,000	3,300	4,352
Total Building Department	<u>303,000</u>	<u>179,953</u>	<u>123,047</u>	<u>172,561</u>
Legal Services:				
City Attorney:				
Operating expenses	95,800	81,944	13,856	98,733
Comprehensive Planning:				
Personal services	104,800	100,820	3,980	69,527
Operating expenses	44,500	32,126	12,374	82,769
Debt service	2,300	2,000	300	4,352
Total Comprehensive Planning	<u>151,600</u>	<u>134,946</u>	<u>16,654</u>	<u>156,648</u>
Total General Government	<u>1,537,900</u>	<u>1,343,600</u>	<u>194,300</u>	<u>1,386,531</u>
<u>PUBLIC SAFETY:</u>				
Law Enforcement:				
Personal services	1,366,000	1,346,597	19,403	1,330,921
Operating expenses	272,800	310,608	(37,808)	338,854
Capital outlay	58,200	60,721	(2,521)	71,982
Debt service	1,487,300	1,445,588	41,712	109,028
Total Police Department	<u>3,184,300</u>	<u>3,163,514</u>	<u>20,786</u>	<u>1,850,785</u>

CITY OF GROVELAND, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2011

	<u>BUDGET</u>	<u>2012 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2011 ACTUAL</u>
<u>PUBLIC SAFETY (CONTINUED):</u>				
Fire Department:				
Personal services	1,179,200	1,114,467	64,733	1,107,655
Operating expenses	132,000	130,611	1,389	111,186
Capital outlay	5,000	6,294	(1,294)	89,643
Debt service	1,404,800	1,401,599	3,201	56,766
Total Fire Department	<u>2,721,000</u>	<u>2,652,971</u>	<u>68,029</u>	<u>1,365,250</u>
Detention:				
Personal services	331,600	332,254	(654)	323,534
Total Detention	<u>331,600</u>	<u>332,254</u>	<u>(654)</u>	<u>323,534</u>
Code Enforcement:				
Personal services	22,100	19,754	2,346	19,967
Operating expenses	29,200	16,399	12,801	28,027
Debt service	1,400	1,333	67	2,285
Total Fire Department	<u>52,700</u>	<u>37,486</u>	<u>15,214</u>	<u>50,279</u>
Total Public Safety	<u>6,289,600</u>	<u>6,186,225</u>	<u>103,375</u>	<u>3,589,848</u>
<u>TRANSPORTATION:</u>				
Roads and Streets:				
Personal services	242,600	235,550	7,050	225,692
Operating expenses	274,900	297,088	(22,188)	267,207
Capital outlay	522,300	267,786	254,514	9,940
Total Transportation	<u>1,039,800</u>	<u>800,424</u>	<u>239,376</u>	<u>502,839</u>

CITY OF GROVELAND, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2011

	<u>BUDGET</u>	<u>2012 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2011 ACTUAL</u>
<u>CULTURE AND RECREATION:</u>				
Parks and Recreation:				
Personal services	235,800	226,271	9,529	217,926
Operating expenses	105,500	112,860	(7,360)	112,740
Capital outlay	524,000	62,366	461,634	34,611
Debt service	1,400	1,333	67	4,585
Total Culture and Recreation	<u>866,700</u>	<u>402,830</u>	<u>463,870</u>	<u>369,862</u>
Total Expenditures	<u>\$ 9,734,000</u>	<u>\$ 8,733,079</u>	<u>\$ 1,000,921</u>	<u>\$ 5,849,080</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfer to CRA Fund	\$ (195,000)	\$ (195,007)	\$...	\$ (212,945)
Transfer to Water & Sewer Fund\	\$ (1,050,000)	\$ (253,500)	796,500	(127,178)
Proceeds from debt issuance	2,697,000	2,696,005	(995)	...
Total Other Financing Uses	<u>\$ 1,452,000</u>	<u>\$ 2,247,498</u>	<u>\$ 795,505</u>	<u>\$ (340,123)</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, 2012

	<u>BUDGET</u>	<u>2012 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues:			
Ad Valorem taxes	\$ 185,800	\$ 184,457	\$ (1,343)
Miscellaneous Revenues			
Contributions	3,000	11,800	8,800
Miscellaneous	...	200	...
Total Revenues	<u>188,800</u>	<u>196,457</u>	<u>7,457</u>
Expenditures:			
Personnel services	92,900	98,721	(5,821)
Operating expenses	154,500	102,692	51,808
Capital outlay	361,600	54,201	307,399
Debt service	152,400	151,248	1,152
Total Expenditures	<u>761,400</u>	<u>406,862</u>	<u>354,538</u>
Excess of Revenues Over (Under) Expenditures	(572,600)	(210,405)	362,195
Other Financing Sources			
Transfer from general fund	195,000	195,007	7
Total Other Financing Sources	<u>195,000</u>	<u>195,007</u>	<u>7</u>
Fund Balance - Beginning of Year	<u>400,978</u>	<u>400,978</u>	<u>...</u>
Fund Balance - End of Year	<u>\$ 23,378</u>	<u>\$ 385,580</u>	<u>\$ 362,202</u>

OTHER REPORTS AND SCHEDULES

CITY OF GROVELAND, FLORIDA
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Grantor</u>	<u>Grant CFDA Number</u>	<u>Federal Program Number / Name</u>	<u>Award Amount</u>	<u>Award Expenditures</u>
Federal Emergency Management Agency SAFER Grant	97.044	EMW-2008-FF-00665	\$ 109,309	\$ 109,309
United States Department of Agriculture - Rural Development	10.760	SAMPEY ROAD WWTP	242,950	242,950
United States Department of Housing and Urban Development <i>(Pass-thru agency: Florida Department of Economic Opportunity)</i>				
Small Cities Community Development Block Grant	14.228	10DB-4N-06-45-02-N09	<u>324,600</u>	<u>324,600</u>
			<u>\$ 676,859.00</u>	<u>\$ 676,859.00</u>

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**
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**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, 2012, which collectively comprise the City of Groveland, Florida's basic financial statements and have issued our report thereon dated May 23, 2013. 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, Kurros, Rice + Brown, PA

Mount Dora, Florida
May 23, 2013

CLERMONT OFFICE

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

The Honorable Mayor and City Council
City of Groveland, Florida

Compliance

We have audited the compliance of the City of Groveland, Florida with the types of compliance requirements described in the United States Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that could have a direct and material effect on each of City of Groveland's major federal programs for the year ended September 30, 2012. The City of Groveland, Florida's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Groveland, Florida's management. Our responsibility is to express an opinion of the City of Groveland, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Groveland, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Groveland, Florida's compliance with those requirements. The results of our auditing procedures did not disclose any instances of material noncompliance that are to be reported in accordance with *OMB Circular A-133*.

In our opinion, the City of Groveland, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2012.

MEMBER: FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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627 N. Donnelly Street
P.O. Box 8 • Mount Dora, FL 32756-0008
(352) 383-6300 • Fax (352) 383-6356

Internal Control Over Compliance

The management of the City of Groveland, Florida, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Groveland, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Groveland, Florida's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greenlee, Hurst, Dice + Braun PA

Mount Dora, Florida
May 23, 2013

**CITY OF GROVELAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Groveland.
2. An audit was performed in accordance with Chapter 10.650, Rules of the Auditor General.
3. No significant deficiencies were disclosed during the audit of the financial statements.
4. No instances of noncompliance material to the financial statements of the City of Groveland were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for the City of Groveland expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for the City of Groveland.
7. The programs tested as major programs included:

Federal Emergency Management Agency	CFDA 97.044
United States Department of Agriculture	CFDA 10.760
United States Department Housing and Urban Development	CFDA 14.228

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Groveland was determined to be a low-risk auditee.

PRIOR YEAR FINDINGS

There were no prior year findings.

CURRENT YEAR FINDINGS

There are no current year findings.

CLERMONT OFFICE

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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, 2012, and have issued our report thereon dated May 23, 2013.

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 1, 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 otherwise 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 judgment, 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, 2011, 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 of 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.

Guendler, Huns, Price + Brown, PA

Mount Dora, Florida
May 23, 2013