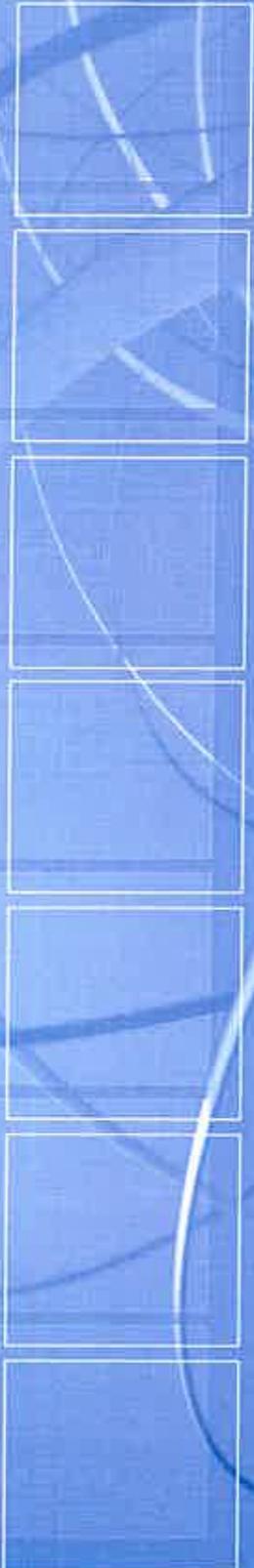


CITY OF GROVELAND, FLORIDA

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2015



INTRODUCTORY SECTION

CITY OF GROVELAND, FLORIDA
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2015

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CITY OF GROVELAND, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2015

ELECTED OFFICIALS

Mayor	Tim Loucks
Vice-Mayor	James Smith
City Council Members:	John Griffin Dina Sweatt Evelyn Wilson

CITY OFFICIALS

City Manager	Redmond Jones, II
Finance Director	Gwen Walker
City Clerk	Teresa Maxwell
Legal Counsel	Anita Geraci-Carver
Public Works Director	James Huish
Chief of Police	M. S. Tennyson
Fire Chief	William M. Morgan, Jr.
Community Development Director	Ryan Berger

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the *City of Groveland, Florida (the City)*, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and community redevelopment agency fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MCDIRMIT DAVIS & COMPANY, LLC

934 North Magnolia Avenue, Suite 100 Orlando, Florida 32803

TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2016 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 result 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.

McDiernit Davis & Company, LLC

Orlando, Florida
June 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Groveland, we offer readers of the City of Groveland's financial statements this narrative overview and analysis of the financial activities of the City of Groveland for the fiscal year ended September 30, 2015.

Financial Highlights

- The assets of the City of Groveland exceeded its liabilities at the close of the most recent fiscal year by \$49,702,290 (net position). Of this amount, \$3,722,607 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$2,090,655 or 4.39%.
- As of the close of the current fiscal year, the City of Groveland's governmental funds reported combined ending fund balances of \$7,437,736. Approximately 7% of this total amount, \$528,398, is available for spending at the government's discretion (unassigned fund balance). At the end of the current fiscal year, unassigned fund balance for the General Fund was \$528,398, or 5% of total general fund expenditures.
- The City of Groveland's total debt increased by \$179,590 (1.42%) during the current fiscal year. All required principal payments were made.

Overview of the Financial Statements

The financial statements focus on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the City's accountability.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Government-wide financial statements. (Continued)

Both of the government-wide financial statements distinguish functions of the City of Groveland that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Groveland include general government, public safety, roads and streets, parks and recreation and community redevelopment. The business-type activities of the City of Groveland include enterprise funds to account for water and sewer utility services.

The government-wide financial statements include only the City of Groveland itself (known as the *primary government*) and one blended component unit (The City of Groveland Community Redevelopment Fund). The Water and Sewer Utility functions as a department of the City of Groveland, and therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-14 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 of Groveland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Groveland can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Groveland maintains two individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Community Redevelopment Fund.

The City of Groveland adopts an annual appropriated budget for all governmental funds. Budgetary comparison statements have been provided for those funds to demonstrate budgetary compliance. Budgetary comparison statements have been provided for the General Fund and Community Redevelopment Agency to demonstrate compliance with this budget on pages 18-19.

The basic governmental fund financial statements can be found on pages 15-17 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Proprietary fund. The City of Groveland maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Groveland uses an enterprise fund to account for the Water and Sewer Utility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide more detailed information for the Water and Sewer Utility activities.

The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-46 of this report.

Government-wide Financial Analysis

Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Groveland, assets exceeded liabilities by \$49,702,290 at the close of the most recent fiscal year.

Of the City of Groveland's net position \$35,441,703 (or 71.3%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related outstanding debt used to acquire those assets. The City of Groveland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Groveland's investment in its 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. Net position that is subject to external restrictions as to how it may be used totals \$10,537,980 (21.2%). The remaining balance of *unrestricted net position* (\$3,722,607 or 7.5%) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2015, the City of Groveland is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. This was also the case at the close of the prior fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

The following table reflects the condensed *Statement of Net Position* for the current and prior year. For more detail see the *Statement of Net Position* on page 13.

	City of Groveland					
	Statement of Net Position					
	As of September 30					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 8,213,733	\$ 7,200,313	\$ 10,484,179	\$ 10,039,224	\$ 18,697,912	\$ 17,239,537
Capital assets	13,986,057	13,722,336	32,604,003	31,800,768	46,590,060	45,523,104
Total assets	<u>22,199,790</u>	<u>20,922,649</u>	<u>43,088,182</u>	<u>41,839,992</u>	<u>65,287,972</u>	<u>62,762,641</u>
Liabilities:						
Current liabilities	1,148,139	1,262,783	1,743,975	1,171,109	2,892,114	2,433,892
Long term liabilities	3,719,812	3,181,339	8,973,756	9,136,709	12,693,568	12,318,048
Total liabilities	<u>4,867,951</u>	<u>4,444,122</u>	<u>10,717,731</u>	<u>10,307,818</u>	<u>15,585,682</u>	<u>14,751,940</u>
Net Position:						
Net investment in capital assets	10,593,568	10,735,498	24,848,135	23,212,766	35,441,703	33,948,264
Restricted	5,329,260	5,605,970	5,208,720	6,910,436	10,537,980	12,516,406
Unrestricted	1,409,011	137,059	2,313,596	1,408,972	3,722,607	1,546,031
Total net position	<u>\$ 17,331,839</u>	<u>\$ 16,478,527</u>	<u>\$ 32,370,451</u>	<u>\$ 31,532,174</u>	<u>\$ 49,702,290</u>	<u>\$ 48,010,701</u>

Statement of activities. The following table reflects the condensed *Statement of Activities* for the current and prior year. For more detailed information see the *Statement of Activities* on page 14.

Note that the government's total net position increased by \$2,090,655 or 4.4% in fiscal year 2015.

Governmental activities increased by \$773,340 in fiscal year 2015 compared to an increase of \$1,406,624 in 2014. Revenues increased by \$979,978 from the previous year and total expenses increased by \$1,998,262, resulting in an overall reduction of \$633,284 from the prior year. Franchise fees, utility taxes and intergovernmental revenues increased by \$871,805. On the expense side, general government and public safety expenses increased \$1,866,029.

Business-type activities increased net position by \$1,317,315 in fiscal year 2015 compared to an increase of \$1,935,160 in 2014. This is primarily a result of an increase in expenses and a decrease in transfers from the general fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

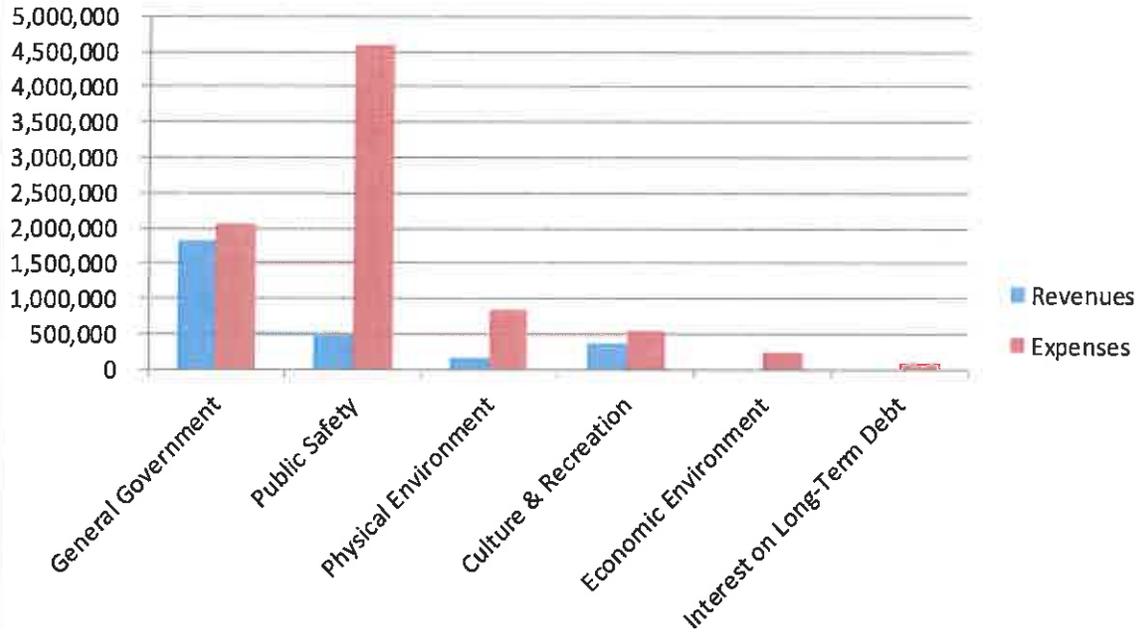
Statement of activities (Continued)

**City of Groveland
Changes in Net Position
For the Year Ended September 30**

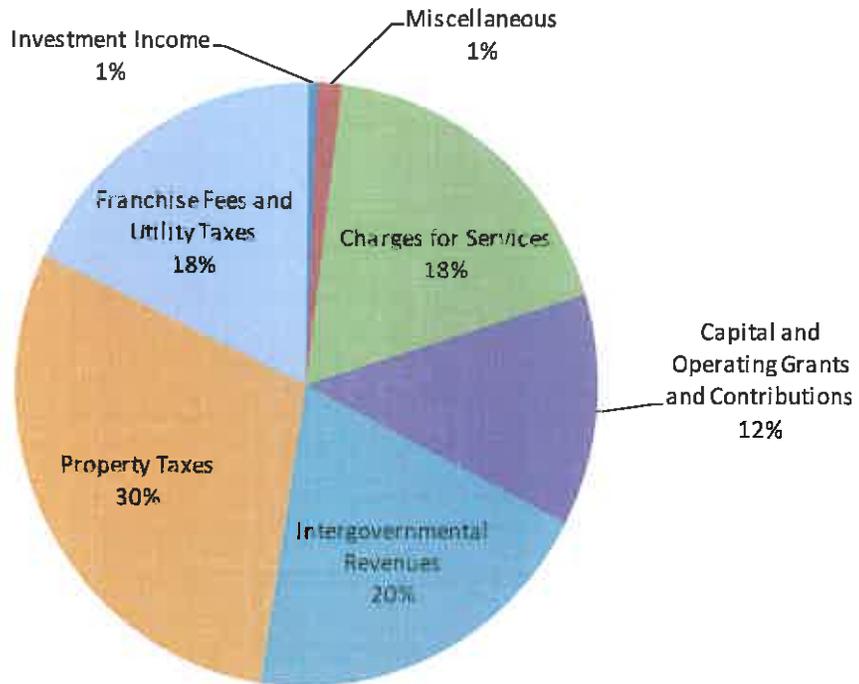
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	\$ 1,675,216	\$ 1,424,340	\$ 5,904,317	\$ 5,454,598	\$ 7,579,533	\$ 6,878,938
Operating grants and contributions	112,446	255,766	-	-	112,446	255,766
Capital grants and contributions	1,026,464	1,052,953	683,260	893,723	1,709,724	1,946,676
General Revenues:						
Property taxes	2,717,029	2,181,956	-	-	2,717,029	2,181,956
Utility taxes and franchise fees	1,646,007	1,535,791	-	-	1,646,007	1,535,791
Intergovernmental- unrestricted	1,817,211	1,590,695	-	-	1,817,211	1,590,695
Unrestricted investment earnings	48,955	66,538	2,417	11	51,372	66,549
Miscellaneous	120,908	76,219	-	80,173	120,908	156,392
Total revenues	9,164,236	8,184,258	6,589,994	6,428,505	15,754,230	14,612,763
Expenses:						
General government	2,066,043	1,172,937	-	-	2,066,043	1,172,937
Public safety	4,605,454	3,632,531	-	-	4,605,454	3,632,531
Physical environment	847,728	875,740	-	-	847,728	875,740
Culture and recreation	531,306	408,460	-	-	531,306	408,460
Economic Environment	232,361	221,382	-	-	232,361	221,382
Interest on long-term debt	108,004	81,584	-	-	108,004	81,584
Water and sewer	-	-	5,272,679	4,878,345	5,272,679	4,878,345
Total expenses	8,390,896	6,392,634	5,272,679	4,878,345	13,663,575	11,270,979
Increase (Decrease) in Net Position Before Transfers	773,340	1,791,624	1,317,315	1,550,160	2,090,655	3,341,784
Transfers	-	(385,000)	-	385,000	-	-
Increase (Decrease) in Net Position	773,340	1,406,624	1,317,315	1,935,160	2,090,655	3,341,784
Net Position - October 1	16,478,527	15,071,903	31,532,174	29,597,014	48,010,701	44,668,917
Prior Period Adjustment	79,972	-	(479,038)	-	(399,066)	-
Net Position - September 30	\$ 17,331,839	\$ 16,478,527	\$ 32,370,451	\$ 31,532,174	\$ 49,702,290	\$ 48,010,701

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

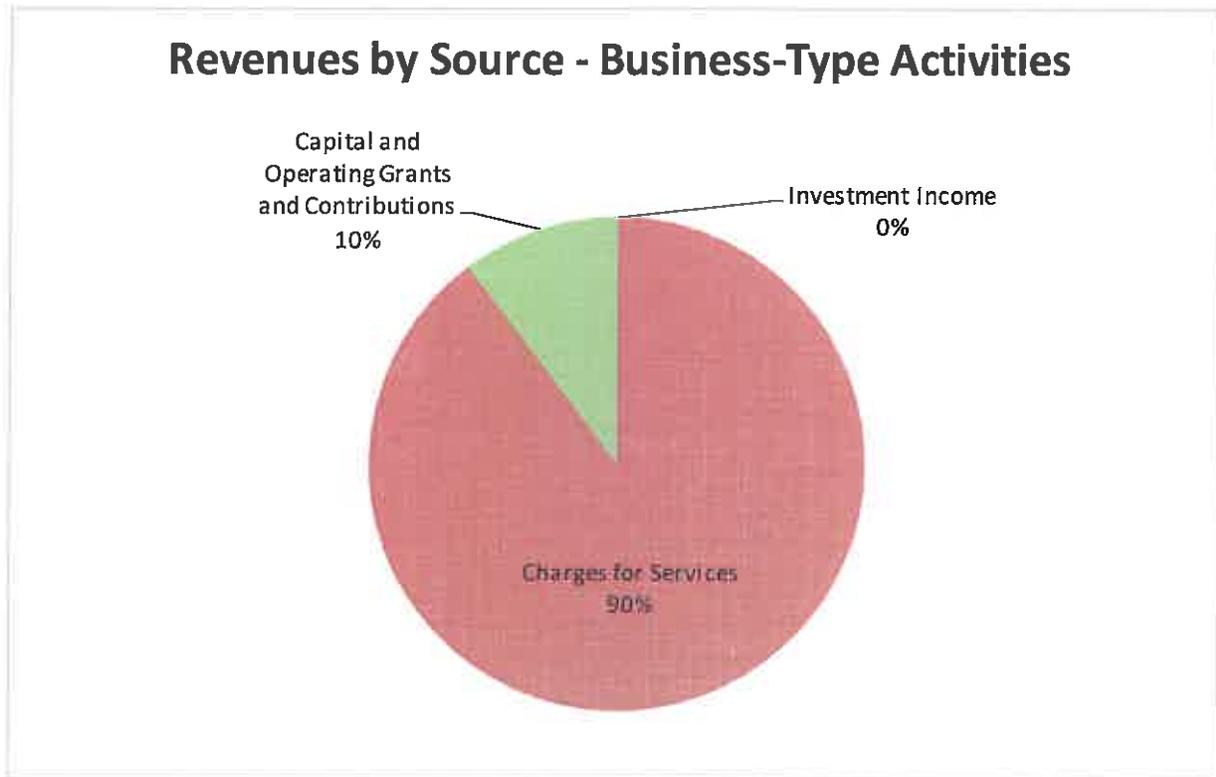
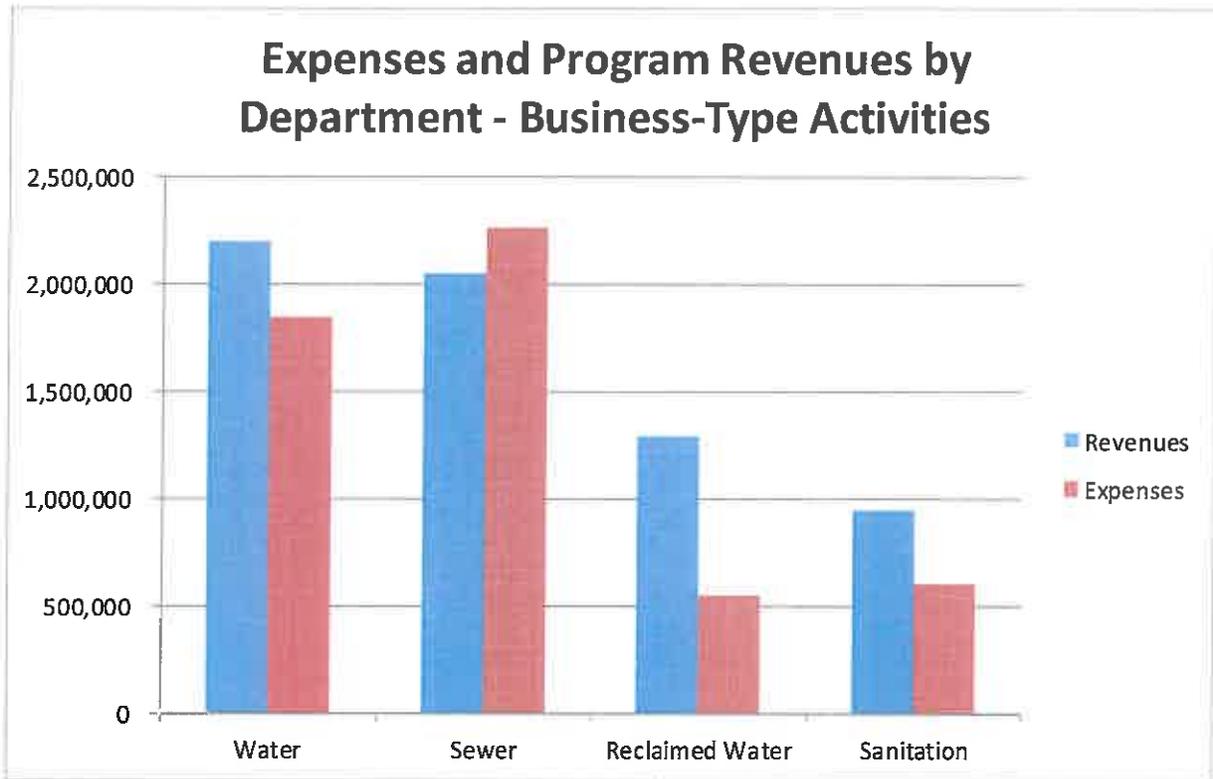
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Groveland'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 of Groveland's financing requirements. In particular, *unassigned 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 September 30, 2015, the City of Groveland's governmental funds reported combined ending fund balances of \$7,437,736, an increase of \$1,019,786 from the prior year. Approximately 7% or \$528,398 of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed for such purposes as debt service, capital projects, community redevelopment, or public safety.

The general fund is the chief operating fund of the City of Groveland. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$528,398, while total fund balance was \$7,204,034. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represent 5% and 67% respectively, of total General Fund expenditures. General fund revenues increased \$736,991 over previous year and expenses increased \$4,247,708, a decrease of \$4,247,708 over 2014. The majority of the change from 2014 is due to the Note refunding. General fund balance increased \$1,005,794.

Proprietary funds. The City of Groveland's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the Water and Sewer Utility Fund at the end of the year amounted to \$2,313,596 and total net position increased \$1,317,315. Operating revenue increased by \$449,719 or 8.24%, and operating expenses increased by \$405,031 for a net operating result increase of \$44,688 and net operating income of \$990,286. That increase was enhanced by impact fees of \$683,260, which is the primary reason that the Water and Sewer Fund had an increase in net position of \$1,317,315.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

General Fund Budgetary Highlights

During the year revenues were more than budgetary estimates by \$1,325,437, primarily due to higher than expected collections of licenses and permits (\$745,846), franchise fees (\$289,199), and intergovernmental revenues (\$613,211). Expenditures were less than budgetary estimates by \$104,865 as a result of overall conservative spending by all departments.

The original General Fund appropriations for general government were increased due to reimbursable grant costs (\$286,000) which were transferred from other departments and did not result in an increase in total appropriations.

The comparison of budgeted results to actual results for the General Fund is shown on page 18.

Capital Asset and Debt Administration

Capital assets. The City of Groveland's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$46,590,060 (net of accumulated depreciation), for an increase of \$1,066,957 from the prior year. This investment in capital assets includes land, buildings, water system, infrastructure, improvements and equipment. The total increase in the City of Groveland's investment in capital assets for the current fiscal year was 2.34% (a 1.92% increase for governmental activities, and a 2.53% increase for business-type activities).

Major capital asset events included the following:

- Replacement of the majority of the Police fleet.
- Water and sewer infrastructure upgrades, which are still in progress at year end.

Additional information on the City of Groveland's capital assets can be found in Note 6 on pages 38-39 of this report.

City of Groveland Capital Assets (Net of Depreciation) As of September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 8,692,105	\$ 8,692,105	\$ 1,160,332	\$ 1,160,332	\$ 9,852,437	\$ 9,852,437
Buildings	1,024,072	885,784	117,474	106,016	1,141,546	991,800
Improvements/Infrastructure	2,291,284	2,700,873	28,663,612	30,133,819	30,954,896	32,834,692
Machinery and Equipment	1,947,690	1,443,573	376,823	400,601	2,324,513	1,844,174
Construction in Progress	30,906	-	2,285,762	-	2,316,668	-
Total	\$ 13,986,057	\$ 13,722,335	\$ 32,604,003	\$ 31,800,768	\$ 46,590,060	\$ 45,523,103

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Administration (Continued)

Long-term debt. At September 30, 2015, the City of Groveland had total debt outstanding of \$12,817,957, an increase of \$179,590 from \$12,638,367 at September 30, 2014.

There are no limitations placed on the amount of debt the City may issue either by the City's charter, code of ordinances or by the Florida State Statutes.

Additional information on the City of Groveland's long-term debt can be found in Notes 7 and 8 on pages 40-44 of this report.

**City of Groveland
Long Term Debt
As of September 30**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Water Utility Revenue Bonds, Series 1991	\$ -	\$ -	\$ 651,000	\$ 686,000	\$ 651,000	\$ 686,000
Sewer Utility Revenue Bonds, Series 1980	-	-	1,351,000	1,397,000	1,351,000	1,397,000
Water & Sewer Utility Revenue Bonds, Series 2007	-	-	5,612,196	5,701,090	5,612,196	5,701,090
State Revolving Fund Loan	-	-	714,775	784,664	714,775	784,664
Redevelopment Revenue Refunding Note, Series 2011	283,081	426,401	-	-	283,081	426,401
Capital Improvement Revenue Refunding Note, Series 2012	-	2,263,577	-	-	-	2,263,577
Capital Improvement Revenue Refunding Note, Series 2015	2,172,700	-	-	-	2,172,700	-
Capital Leases	936,708	296,860	13,066	19,248	949,774	316,108
Due to customer	-	-	680,986	794,347	680,986	794,347
Compensated Absences	327,323	209,021	75,122	60,159	402,445	269,180
Total	\$ 3,719,812	\$ 3,195,859	\$ 9,098,145	\$ 9,442,508	\$ 12,817,957	\$ 12,638,367

Requests for Information

This financial report is designed to provide a general overview of the City of Groveland's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 156 S. Lake Avenue, Groveland, Florida, 34736.

BASIC FINANCIAL STATEMENTS

CITY OF GROVELAND, FLORIDA

STATEMENT OF NET POSITION

September 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 4,607,524	\$ 4,218,110	\$ 8,825,634
Investments	3,239,498	2,501,154	5,740,652
Receivables, net	144,946	325,312	470,258
Due From Other Governments	210,815	-	210,815
Internal Balances	10,950	(10,950)	-
Restricted Assets:			
Cash and cash equivalents	-	3,450,553	3,450,553
Capital Assets (Not Being Depreciated)	8,723,011	3,446,094	12,169,105
Capital Assets (Being Depreciated Net of Accumulated Depreciation)	5,263,046	29,157,909	34,420,955
Total Assets	<u>22,199,790</u>	<u>43,088,182</u>	<u>65,287,972</u>
Liabilities:			
Accounts Payable and Other Current Liabilities	356,600	977,956	1,334,556
Accrued Liabilities	117,890	35,394	153,284
Accrued Interest Payable	45,342	28,480	73,822
Due to Other Governmental Agencies	301,507	-	301,507
Unearned Revenue	326,800	-	326,800
Customer Deposits Payable	-	577,756	577,756
Noncurrent Liabilities:			
Due within one year			
Bonds, notes and capital leases	729,619	254,630	984,249
Compensated absences	32,732	7,512	40,244
Due to customer	-	124,389	124,389
Due in more than one year			
Bonds, notes and capital leases	2,662,870	8,087,407	10,750,277
Compensated absences	294,591	67,610	362,201
Due to customer	-	556,597	556,597
Total liabilities	<u>4,867,951</u>	<u>10,717,731</u>	<u>15,585,682</u>
Net Position:			
Net Investment in Capital Assets	10,593,568	24,848,135	35,441,703
Restricted for:			
Debt service	-	586,169	586,169
Alternate water supply	-	351,069	351,069
System expansion	-	4,271,482	4,271,482
Community redevelopment	233,702	-	233,702
Infrastructure	1,860,607	-	1,860,607
Impact fees	2,436,943	-	2,436,943
Building department	745,777	-	745,777
Public safety	52,231	-	52,231
Unrestricted	1,409,011	2,313,596	3,722,607
Total net position	<u>\$ 17,331,839</u>	<u>\$ 32,370,451</u>	<u>\$ 49,702,290</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF GROVELAND, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities							
General government	\$ 2,066,043	\$ 1,469,995	\$ 347,254	\$ -	\$ (248,794)	\$ -	\$ (248,794)
Public safety	4,605,454	197,946	278,410	-	(4,129,098)	-	(4,129,098)
Roads and streets	847,728	-	37,424	-	(697,858)	-	(697,858)
Parks and recreation	531,306	7,275	363,376	-	(160,655)	-	(160,655)
Community redevelopment	232,361	-	-	-	(232,361)	-	(232,361)
Interest on long-term debt	108,004	-	-	-	(108,004)	-	(108,004)
Total governmental activities	8,390,896	1,675,216	1,026,464	-	(5,576,770)	-	(5,576,770)
Business-type activities							
Water and sewer	5,272,679	5,904,317	683,260	-	-	1,314,898	1,314,898
Total business-type activities	5,272,679	5,904,317	683,260	-	-	1,314,898	1,314,898
Total primary government	\$ 13,663,575	\$ 7,579,533	\$ 1,709,724	\$ -	\$ (5,576,770)	\$ 1,314,898	\$ (4,261,872)
General Revenues:							
Property taxes					2,717,029	-	2,717,029
Property taxes, levied for debt service					-	-	-
Franchise fees and utility taxes					1,646,007	-	1,646,007
Intergovernmental-unrestricted					1,817,211	-	1,817,211
Unrestricted investment earnings					48,955	2,417	51,372
Miscellaneous					120,908	-	120,908
Total general revenues					6,350,110	2,417	6,352,527
Change in net position					773,340	1,317,315	2,090,655
Net Position - beginning, as restated					16,558,499	31,053,136	47,611,635
Net Position - ending					\$ 17,331,839	\$ 32,370,451	\$ 49,702,290

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF GROVELAND, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2015

	General Fund	Community Redevelopment Agency	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 4,368,389	\$ 239,135	\$ 4,607,524
Investments	3,239,498	-	3,239,498
Receivables, net	144,946	-	144,946
Due from other governments	210,815	-	210,815
Due from other funds	10,950	-	10,950
Total assets	<u>\$ 7,974,598</u>	<u>\$ 239,135</u>	<u>\$ 8,213,733</u>
Liabilities and Fund Balances:			
Accounts payable	\$ 353,509	\$ 3,091	\$ 356,600
Accrued liabilities	115,548	2,342	117,890
Due to other governments	301,507	-	301,507
Total liabilities	<u>770,564</u>	<u>5,433</u>	<u>775,997</u>
Fund Balances:			
Spendable:			
Restricted	5,095,558	233,702	5,329,260
Committed	1,580,078	-	1,580,078
Unassigned	528,398	-	528,398
Total fund balances	<u>7,204,034</u>	<u>233,702</u>	<u>7,437,736</u>
Total Liabilities and Fund Balances	<u>\$ 7,974,598</u>	<u>\$ 239,135</u>	

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	13,986,057
Accrued interest payable is not due in the current period and therefore is not reported in the funds.	(45,342)
Unearned revenue that when earned will not provide current financial resources is not reported in the funds.	(326,800)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,719,812)</u>
Net Position of Governmental Activities	<u>\$ 17,331,839</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF GROVELAND, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	General Fund	Community Redevelopment Agency	Total Governmental Funds
Revenues:			
Taxes:			
Property taxes	\$ 2,361,446	\$ 355,583	\$ 2,717,029
Franchise and utility taxes	1,646,007	-	1,646,007
Licenses and permits	1,118,671	-	1,118,671
Intergovernmental revenues	2,276,911	-	2,276,911
Charges for services	365,170	-	365,170
Fines and forfeitures	191,375	-	191,375
Impact fees	479,259	-	479,259
Investment income	48,955	-	48,955
Miscellaneous	85,319	31,376	116,695
Total revenues	<u>8,573,113</u>	<u>386,959</u>	<u>8,960,072</u>
Expenditures:			
Current:			
General government	1,993,338	-	1,993,338
Public safety	5,176,954	-	5,176,954
Roads and streets	543,989	-	543,989
Community redevelopment	-	218,704	218,704
Parks and recreation	398,495	-	398,495
Debt service:			
Principal	2,585,856	143,320	2,729,176
Interest and fiscal charges	78,594	10,943	89,537
Total expenditures	<u>10,777,226</u>	<u>372,967</u>	<u>11,150,193</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,204,113)</u>	<u>13,992</u>	<u>(2,190,121)</u>
Other Financing Sources (Uses):			
Capital leases	962,127	-	962,127
Notes payable	2,172,700	-	2,172,700
Sale of capital assets	75,080	-	75,080
Total Other Financing Sources (Uses)	<u>3,209,907</u>	<u>-</u>	<u>3,209,907</u>
Net Change in Fund Balances	1,005,794	13,992	1,019,786
Fund Balances - beginning, as restated	6,198,240	219,710	6,417,950
Fund Balances - ending	<u>\$ 7,204,034</u>	<u>\$ 233,702</u>	<u>\$ 7,437,736</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

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, 2015

Net Change in Fund Balances - Total Governmental Funds: \$ 1,019,786

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 166,890

The issuance of long-term debt (e.g., notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount by which proceeds exceed repayments. (405,651)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold. (70,867)

Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported in governmental funds. 199,951

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (136,769)

Change in net position of governmental activities \$ 773,340

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF GROVELAND, FLORIDA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and impact fees	\$ 2,417,166	\$ 2,417,166	\$ 2,361,446	\$ (55,720)
Franchise and utility taxes	1,356,885	1,356,885	1,646,007	289,122
Licenses and permits	372,825	372,825	1,118,671	745,846
Intergovernmental revenues	1,663,700	1,663,700	2,276,911	613,211
Charges for services	434,100	434,100	365,170	(68,930)
Fines and forfeitures	60,000	60,000	191,375	131,375
Impact fees	818,000	818,000	479,259	(338,741)
Investment income	35,000	35,000	48,955	13,955
Miscellaneous	90,000	90,000	85,319	(4,681)
Total revenues	<u>7,247,676</u>	<u>7,247,676</u>	<u>8,573,113</u>	<u>1,325,437</u>
Expenditures:				
Current:				
General government	1,240,882	1,526,331	1,993,338	(467,007)
Public safety	4,233,957	4,219,757	4,214,827	4,930
Roads and streets	708,050	707,950	543,989	163,961
Parks and recreation	1,082,550	796,450	398,495	397,955
Debt Service:				
Principal	396,178	415,478	413,156	2,322
Interest	85,647	81,298	78,594	2,704
Total expenditures	<u>7,747,264</u>	<u>7,747,264</u>	<u>7,642,399</u>	<u>104,865</u>
Excess (deficiency) of revenues over expenditures	<u>(499,588)</u>	<u>(499,588)</u>	<u>930,714</u>	<u>1,430,302</u>
Other Financing Sources (Uses):				
Proceeds from sale capital assets	-	-	75,080	75,080
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>75,080</u>	<u>75,080</u>
Net Change in Fund Balance	(499,588)	(499,588)	1,005,794	1,505,382
Fund Balance - beginning, as restated	6,198,240	6,198,240	6,198,240	-
Fund Balance - ending	<u>\$ 5,698,652</u>	<u>\$ 5,698,652</u>	<u>\$ 7,204,034</u>	<u>\$ 1,505,382</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF GROVELAND, FLORIDA

COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and impact fees	\$ 348,083	\$ 348,083	\$ 355,583	\$ 7,500
Miscellaneous	40,000	40,000	31,376	(8,624)
Total revenues	<u>388,083</u>	<u>388,083</u>	<u>386,959</u>	<u>(1,124)</u>
Expenditures:				
Current:				
Community redevelopment	515,476	516,076	218,704	297,372
Debt Service:				
Principal	144,000	143,400	143,320	80
Interest	13,500	13,500	10,943	2,557
Total expenditures	<u>672,976</u>	<u>672,976</u>	<u>372,967</u>	<u>300,009</u>
Excess (deficiency) of revenues over expenditures	<u>(284,893)</u>	<u>(284,893)</u>	<u>13,992</u>	<u>298,885</u>
Net Change in Fund Balance	(284,893)	(284,893)	13,992	298,885
Fund Balance - beginning, as restated	219,710	219,710	219,710	-
Fund Balance - ending	<u>\$ (65,183)</u>	<u>\$ (65,183)</u>	<u>\$ 233,702</u>	<u>\$ 298,885</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

	<u>Water and Sewer Fund</u>
Liabilities:	
Current Liabilities:	
Accounts payable	977,956
Accrued liabilities	35,394
Due to other funds	10,950
Customer deposits payable	577,756
Accrued interest payable	28,480
Due to customer	124,389
Compensated absences	7,512
Capital lease payable	6,413
Notes payable	71,657
Bonds payable	176,560
Total current liabilities	<u>2,017,067</u>
Noncurrent liabilities:	
Due to customer	556,597
Compensated absences	67,610
Capital lease payable	6,653
Notes payable	643,118
Bonds payable	7,437,636
Total noncurrent liabilities	<u>8,711,614</u>
Total liabilities	<u>10,728,681</u>
Net Position:	
Net investment in capital assets	24,848,135
Restricted for debt service	586,169
Restricted for alternate water supply	351,069
Restricted for system expansion	4,271,482
Unrestricted	2,313,596
Total net position	<u>\$ 32,370,451</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF GROVELAND, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS

For the Year Ended September 30, 2015

	Water and Sewer Fund
Operating Revenues:	
Charges for services	\$ 5,808,318
Misc operating revenues	95,999
Total operating revenues	<u>5,904,317</u>
Operating Expenses:	
Personal services	1,316,236
Contract services	629,022
Utilities	375,752
Insurance claims and expenses	173,322
Depreciation and amortization	1,302,221
Other operating expenses	700,030
Repairs and maintenance	417,448
Total operating expenses	<u>4,914,031</u>
Operating income (loss)	<u>990,286</u>
Nonoperating Revenue (Expenses):	
Investment income	2,417
Interest expense	(358,648)
Total nonoperating revenue (expenses)	<u>(356,231)</u>
Income (loss) before contributions and transfers	<u>634,055</u>
Capital Contributions:	
Impact fees	683,260
Change in net position	1,317,315
Net Position - beginning, as restated	<u>31,053,136</u>
Net Position - ending	<u>\$ 32,370,451</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CITY OF GROVELAND, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For The Year Ended September 30, 2015

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$ 5,830,887
Payments to suppliers	(1,611,823)
Payments to employees	(1,289,960)
Net cash provided by operating activities	<u>2,929,104</u>
Cash Flows from Non-Capital Financing Activities:	
Decrease (increase) in due to other funds	10,950
Net cash provided by non-capital financing activities	<u>10,950</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(2,438,494)
Principal paid on revenue bonds, notes and leases	(245,965)
Interest paid on revenue bonds, notes and leases	(358,648)
Impact fees	683,260
Net cash used by capital and related financing activities	<u>(2,359,847)</u>
Cash Flows from Investing Activities:	
Purchase of investments	(2,501,154)
Investment income	2,417
Net cash used by investing activities	<u>(2,498,737)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,918,530)
Cash and Cash Equivalents - beginning	9,587,193
Cash and Cash Equivalents - end	\$ <u>7,668,663</u>
Classified as:	
Cash and cash equivalents	\$ 4,218,110
Restricted cash and cash equivalents	3,450,553
Total	<u>\$ 7,668,663</u>
Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities	
Operating income (loss)	\$ 990,286
Adjustments Not Affecting Cash:	
Depreciation and amortization	1,302,221
Change in Assets and Liabilities:	
Decrease (increase) in accounts receivable	4,800
Increase (decrease) in accounts payable	683,751
Increase (decrease) in accrued liabilities	11,313
Increase (decrease) in customer deposits	35,131
Increase (decrease) in compensated absences	14,963
Increase (decrease) in due to customer	(113,361)
Total adjustments	<u>636,597</u>
Net Cash Provided By Operating Activities	\$ <u>2,929,104</u>

The accompanying Notes to Financial Statements are in integral part to these statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF GROVELAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2015

Note 1 - Summary of Significant Accounting Policies:

A. Reporting Entity

The *City of Groveland*, Florida (the City) is a political subdivision of the State of Florida located in Lake County. The City is governed by a Council-Mayor form of government. The City was established by the adoption of its Charter under the Special Acts of 1923 of the State of Florida, Chapter 9764. The City provides services to its citizens including Public Safety (Police and Fire), Roads and Streets, Parks and Recreation, Community Redevelopment, and General Government Services. The City operates a Water & Sewer enterprise. The Mayor and City Council are responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the City Manager.

In evaluating how to define the government, for financial reporting purposes, the City has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, the City has one blended component unit as follows:

The *City of Groveland* Community Redevelopment Fund

The *City of Groveland* created the Community Redevelopment Agency in 2002. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Notification to affected taxing agency was done in compliance with Chapter 163.346, Part III, Florida Statutes. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area. The City Council, being the duly elected governmental body for the designated area, passed Ordinance 2002-05-15, which established the *City of Groveland* as the Redevelopment Agency for the purpose of carrying out the community redevelopment programs and plans within the area. Through the Ordinance the City established the Community Redevelopment Trust Fund to account for all transactions generated by this special revenue fund. The *City of Groveland* Community Redevelopment Fund is presented as a blended component unit, since the City Council is the governing board.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued):

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued):

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The government reports the following funds:

Governmental Funds

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

The *Community Redevelopment Fund* was established as a dependent taxing district. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area.

Proprietary Funds

Water and Sewer Fund is used to account for the operations of the City's water, sewer, and reclaimed water utility operations, which are financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed primarily through user charges.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer fund is charges to customers for sales and services. The City also recognizes as operating revenue the meter fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fun Balance

1. Deposits and Investments

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

Investments of the City are reported at fair value. The City's investments consist of investments authorized per their investment policy adopted in accordance with Section 218.415, Florida Statutes.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles. The County bills and collects property taxes and remits them to the City. City property tax revenues are recognized when levied to the extent that they result in current receivables.

All property is reassessed according to its fair value on the lien date, or January 1 of each year. Taxes are levied on October 1 of each year. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. On or around May 31 following the tax year, certificates are sold for all delinquent taxes on real property.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (Continued)

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These are recorded as expenditures when consumed rather than when purchased.

4. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable bond covenants. Assets so designated are identified as restricted assets on the balance sheet.

5. Capital Assets

Capital assets, which include property, plant, equipment, intangible and infrastructure assets (e.g., roads, sidewalks, drainage systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 or more 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 capital assets are recorded at estimated fair market value at the date of donation.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (Continued)

5. Capital Assets (Continued)

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements Other Than Buildings	25-40
Water and Sewer Systems	25-40
Equipment	5-15

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused personal leave pay benefits. All personal leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For governmental activities, compensated absences are generally liquidated by the general fund.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any item that qualifies for reporting in this category for the year ended September 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (Continued)

8. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City does not have any item that qualifies for reporting in this category for the year ended September 30, 2015.

9. Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of restricted and unrestricted net position). In order to calculate the amounts to report as restricted and unrestricted in the government-wide financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

10. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (Continued)

11. Fund Balance Policies

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

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

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

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - (Continued)

12. Prior Period Restatement

In fiscal year 2015, it was determined that certain errors were reported in statements issued in prior periods. Beginning net position of governmental activities, business-type activities, and the water and sewer fund, as well as beginning fund balance of the general fund and community redevelopment agency have been restated as discussed below.

	Governmental Activities	Business-type Activities	Water and Sewer Fund
Net Position, October 1, 2014, previously stated	\$ 16,478,527	\$ 31,532,174	\$ 31,532,174
Salaries Not Accrued in the Prior Period	(87,726)	(24,081)	(24,081)
Correction of Allowance for Depreciation and Amortization	167,698	(454,957)	(454,957)
Net Position, October 1, 2014, as restated	<u>\$ 16,558,499</u>	<u>\$ 31,053,136</u>	<u>\$ 31,053,136</u>

	General Fund	Community Redevelopment Agency
Fund Balance, October 1, 2014, previously stated	\$ 6,118,114	\$ 217,120
Salaries Not Accrued in the Prior Period	(84,720)	(3,006)
Prior Accruals Not Allowed in Governmental Funds	164,846	5,596
Fund Balance, October 1, 2014, as restated	<u>\$ 6,198,240</u>	<u>\$ 219,710</u>

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements:

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this difference are as follows:

Capital Outlay	\$ 1,106,814
Depreciation Expense	<u>(939,924)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 166,890</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Debt Issued or Incurred:	
Notes payable	\$ (2,172,700)
Capital lease	(962,127)
Principal Repayment	<u>2,729,176</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (405,651)</u>

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued):

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued):

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated Absences	\$ (118,302)
Accrued Interest Payable	<u>(18,467)</u>
Net Adjustment to Decrease Net Changes in Fund Balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (136,769)</u>

Note 3 - Stewardship, Compliance, and Accountability:

A. Budgetary Information -

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

- (1) Prior to the end of the fiscal year, 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 budget workshops are held where the Mayor, City Council, City Manager and department heads refine budget detail items.
- (3) The general summary of the budget and notice of public hearing is published in the local newspaper.
- (4) Public hearings are conducted to obtain taxpayer comments.
- (5) Prior to October 1, the budgets are legally enacted through passage of a resolution.
- (6) The City Manager is authorized to transfer budgeted amounts within a department; however, any revisions that alter the total appropriations of any department must be approved by a majority vote of the City Council.
- (7) The level of classification detail at which expenditures may not legally exceed appropriations is the department level.
- (8) Unexpended, unencumbered appropriations lapse at the close of the fiscal year.

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 3 - Stewardship, Compliance, and Accountability (Continued):

A. Budgetary Information (Continued) -

- (9) Budgets are adopted for the general fund and community redevelopment fund on a basis consistent with generally accepted accounting principles, except as described below under Budget Basis of Accounting. Budgets are also adopted for the enterprise funds; however, this data is not presented under generally accepted accounting principles.
- (10) The City Council, by Ordinance, may make supplemental appropriations in excess of those originally estimated for the year up to the amount of available revenues. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions.

B. Appropriations in Excess of Funds Available -

The Community Redevelopment Fund contained appropriations in excess of revenues and available fund balance for the fiscal year ended September 30, 2015. Actual expenditures were not in excess of funds available.

C. Expenditures in Excess of Appropriations -

The general government department of the General Fund contained expenditures in excess of appropriations due to payments for contract services that were budgeted as a reduction of revenues.

D. Budgetary Basis of Accounting -

The City includes a portion of the prior year's fund balances represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior periods' excess of revenues over expenditures.

For the fiscal year ended September 30, 2015 the following adjustments are necessary to convert General Fund revenues and expenditures on the GAAP basis to the budgetary basis:

	<u>Expenditures</u>	<u>Other Financing Sources</u>
GAAP Basis	\$ 10,777,226	\$ 3,209,907
Nonbudgeted Capital Lease Transactions	(962,127)	(962,127)
Nonbudgeted Note Payable Refunding	(2,172,700)	(2,172,700)
Budgetary basis	<u>\$ 7,642,399</u>	<u>\$ 75,080</u>

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 4 - Cash and Investments:

Deposits

At year-end, the carrying amount of the City's deposits was \$12,276,187 and the bank balance was \$12,244,678. Petty cash funds of \$10,725 are not on deposit with a financial institution. All bank deposits were fully covered by Federal Depository Insurance or held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

Investments

Investments in all fund types are stated at fair value, which is the amount for which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value is based on quoted market prices. Changes in the fair value of investments are recognized as revenue and included in investment income.

The City's investment policies are governed by state statute and city ordinance. Authorized investments are:

- (a) Florida Local Government Surplus Funds Trust Fund Investment Pool (SBA LGIP)
- (b) U.S. Government securities
- (c) Interest bearing time deposit or savings accounts
- (d) Registered investment companies (money market mutual funds)

Investments held in the State Board of Administration Fund (SBA) consist of short-term federal agency obligations, treasury bills, repurchase agreements and commercial paper. The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements of a 2a-7 like pool for the A fund and the fair value of the position in the pool is equal to the fair value of the statements. Investment income is recognized as earned and is allocated to the participating funds based on their equity participation.

Investments made by the *City of Groveland* at September 30, 2015 are summarized below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Certificates of Deposit	\$ 5,501,924	Unrated	295 days
Florida Prime	<u>238,728</u>	AAAm	29 days
	<u>\$ 5,740,652</u>		

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 4 - Cash and Investments (Continued):

Investments - (Continued)

Credit Risk:

The City's investment policy limits credit risk by restricting authorized investments to those described above.

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2015, all of the city's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2015, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

The City's investment policy requires diversification, but does not specify limits on types of investments.

Interest Rate Risk:

The City's investment policy does not specifically address interest rate risk; however the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The City manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 5 - Receivables:

Receivables as of year end for the City's individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Receivables:			
Accounts	\$ 144,946	\$ 351,416	\$ 496,362
Less Allowance for Uncollectible Accounts	-	(26,104)	(26,104)
	<u>\$ 144,946</u>	<u>\$ 325,312</u>	<u>\$ 470,258</u>

Note 6 - Capital Assets:

Capital asset activity for the year ended September 30, 2015 was as follows, with restated beginning balances for accumulated depreciation as discussed in Note 1:

	<u>Beginning Balance, Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 8,692,105	\$ -	\$ -	\$ 8,692,105
Construction in progress	-	30,906	-	30,906
Total capital assets, not being depreciated	<u>8,692,105</u>	<u>30,906</u>	<u>-</u>	<u>8,723,011</u>
Capital Assets, being depreciated:				
Buildings	1,979,962	24,490	-	2,004,452
Improvements/infrastructure	8,380,484	-	-	8,380,484
Machinery and equipment	4,352,152	1,051,418	(352,977)	5,050,593
Total capital assets being depreciated	<u>14,712,598</u>	<u>1,075,908</u>	<u>(352,977)</u>	<u>15,435,529</u>
Less Accumulated Depreciation for:				
Buildings	(896,208)	(84,172)	-	(980,380)
Improvements/infrastructure	(5,715,488)	(373,712)	-	(6,089,200)
Machinery and equipment	(2,902,973)	(482,040)	282,110	(3,102,903)
Total accumulated depreciation	<u>(9,514,669)</u>	<u>(939,924)</u>	<u>282,110</u>	<u>(10,172,483)</u>
Total capital assets being depreciated, net	<u>5,197,929</u>	<u>135,984</u>	<u>(70,867)</u>	<u>5,263,046</u>
Governmental activities capital assets, net	<u>\$ 13,890,034</u>	<u>\$ 166,890</u>	<u>\$ (70,867)</u>	<u>\$ 13,986,057</u>

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 6 - Capital Assets (Continued):

	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Business-type activities:				
Capital Assets, not being depreciated:				
Land	\$ 1,160,332	\$ -	\$ -	\$ 1,160,332
Construction in progress	-	2,285,762	-	2,285,762
Total capital assets, not being depreciated	<u>1,160,332</u>	<u>2,285,762</u>	<u>-</u>	<u>3,446,094</u>
Capital Assets, being depreciated:				
Buildings and improvements	358,476	-	-	358,476
Water system	10,049,160	31,618	-	10,080,778
Sewer system	30,595,577	40,848	-	30,636,425
Reclaimed water system	1,881,850	-	-	1,881,850
Machinery and equipment	1,553,568	80,266	-	1,633,834
Total capital assets being depreciated	<u>44,438,631</u>	<u>152,732</u>	<u>-</u>	<u>44,591,363</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(231,618)	(9,384)	-	(241,002)
Water system	(4,306,507)	(353,010)	-	(4,659,517)
Sewer system	(8,243,087)	(821,714)	-	(9,064,801)
Reclaimed water system	(161,199)	(49,924)	-	(211,123)
Machinery and equipment	(1,188,822)	(68,189)	-	(1,257,011)
Total accumulated depreciation	<u>(14,131,233)</u>	<u>(1,302,221)</u>	<u>-</u>	<u>(15,433,454)</u>
Total capital assets being depreciated, net	<u>30,307,398</u>	<u>(1,149,489)</u>	<u>-</u>	<u>29,157,909</u>
Business-type activities capital assets, net	<u>\$ 31,467,730</u>	<u>\$ 1,136,273</u>	<u>\$ -</u>	<u>\$ 32,604,003</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 69,986
Public safety	399,045
Roads and streets	317,472
Community redevelopment	11,950
Parks and recreation	141,471
Total Depreciation Expense - governmental activities	<u>\$ 939,924</u>
Business-type Activities	
Water and Sewer	<u>\$ 1,302,221</u>

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 7 - Leases:

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of machinery and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Certain equipment was acquired under a capital lease in a prior year. The debt related to this lease was allocated between governmental and business-type activities based on a useage estimate. The assets themselves are accounted for under governmental activities and therefore there are no depreciable assets under capital lease in business-type activities.

Assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Assets	
Machinery & Equipment	\$ 1,299,140
Less: Accumulated depreciation	(254,040)
Total	<u>\$ 1,045,100</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015 were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Year Ending September 30</u>		
2016	\$ 290,083	\$ 6,901
2017	290,083	6,901
2018	262,061	-
2019	213,511	-
Total Minimum Lease Payments	1,055,738	13,802
Less: Amount representing interest	(119,030)	(736)
	<u>\$ 936,708</u>	<u>\$ 13,066</u>

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 8 - Long-Term Debt:

Bonds Payable

The City issues bonds to provide funds for the acquisition and construction of major capital assets. Bonds have been issued for business-type activities.

The 1991 Water Revenue Bonds are secured by net revenue of the water and sewer system and excise taxes collected. The total principal and interest remaining to be paid on this series is \$901,250. For the fiscal year, principal and interest paid on this series was \$69,300 and total pledged revenue was \$2,975,767. These bonds were refunded after year end (Note 15).

The 1994 Sewer Revenue Bonds are secured by net revenue of the water and sewer system and excise taxes collected, on parity with the 1991 bonds. The total principal and interest remaining to be paid on this series is \$2,080,450. For the fiscal year, principal and interest paid on this series was \$115,850 and total pledged revenue was \$2,975,767. These bonds were refunded after year end (Note 15).

The 2007 Water and Sewer Revenue Bonds are secured by net revenue of the water and sewer system and excise taxes collected, on parity with the 1991 and 1994 bonds. The total principal and interest remaining to be paid on this series is \$10,045,962. For the fiscal year, principal and interest paid on this series was \$324,063 and total pledged revenue was \$2,975,767.

Revenue bonds currently outstanding are as follows:

<u>Business-Type Activities</u>	<u>Interest Rates and Dates</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Balance September 30, 2015</u>
Water Revenue Bonds, Series 1991 01 & 02	5.0000% (9/1)	9/1/1991 to 9/1/2028	<u>\$ 1,168,200</u>	\$ 651,000
Sewer Revenue Bonds, Series 1994 A & B	5.0000% (9/1)	9/1/1994 to 9/1/2033	<u>\$ 1,951,000</u>	1,351,000
Water and Sewer Revenue Bonds, Series 2007 A & B	4.1250% (9/1)	9/1/2007 to 9/1/2046	<u>\$ 6,248,000</u>	5,612,196
				<u>\$ 7,614,196</u>

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 8 - Long-Term Debt (Continued):

Bonds Payable - (Continued)

Annual debt service requirements to maturity for revenue bonds are as follows:

Year ending September 30,	Business - Type Activities	
	Principal	Interest
2016	\$ 176,560	\$ 331,603
2017	186,378	323,585
2018	194,354	315,109
2019	201,494	306,270
2020	211,804	297,109
2021 - 2025	1,212,161	1,331,655
2026 - 2030	1,373,946	1,032,470
2031 - 2035	1,237,593	730,874
2036 - 2040	1,128,013	492,304
2041 - 2045	1,380,668	239,649
2046	311,225	12,838
Total	<u>\$ 7,614,196</u>	<u>\$ 5,413,466</u>

Notes Payable

The Redevelopment Revenue Refunding Note, Series 2011, is secured by ad valorem revenues of the Community Redevelopment Agency. The total principal and interest remaining to be paid on this series is \$289,009. For the fiscal year, principal and interest paid on this series was \$150,813, and total pledged revenues were \$355,583.

The Capital Improvement Revenue Refunding Note, Series 2012, is secured by law enforcement and fire impact fees. If such revenues are insufficient in a given year, the note will be paid from the communication service tax. The Note was refunded during the year ended September 30, 2015. For the fiscal year, principal and interest paid on this series was \$2,317,034, and total pledged revenues were \$580,791.

The Capital Improvement Revenue Refunding Note, Series 2015, is secured by the public services tax, the half-cent sales tax and franchise fees. The total principal and interest remaining to be paid on this series is \$2,248,439. There was no principal or interest paid in the current year and no revenues were pledged. The Note was issued to refund the Series 2012 Note in order to restructure the repayment schedule which required a balloon payment in the final year. The transaction resulted in an economic loss of \$11,296 and a reduction of \$61,924 in future debt service payments.

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 8 - Long-Term Debt (Continued):

Notes Payable - (Continued)

Notes payable for governmental activities are as follows:

<u>Governmental Activities</u>	<u>Interest Rate and Dates</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Balance September 30, 2015</u>
Redevelopment Revenue Refunding Note Series 2011	2.0800% Monthly	9/1/2011 to 8/1/2017	<u>\$ 850,000</u>	\$ 283,081
Capital Improvement Revenue Refunding Note Series 2012	2.4000% (10/1, 4/1)	10/1/2012 to 10/1/2019	<u>\$ 2,696,005</u>	-
Capital Improvement Revenue Refunding Note Series 2015	1.3500% (10/1, 4/1)	10/1/2015 to 10/1/2019	<u>\$ 2,172,700</u>	2,172,700
				<u>\$ 2,455,781</u>

The City entered into the State Revolving Loan Agreement CS12038507P for the purpose of constructing clean water improvements. The City borrowed \$1,355,015 plus capitalized interest at an interest rate of 3.16%. The loan is secured by gross revenues of the water and sewer utility after payment of operation and maintenance costs and senior debt obligations. Total interest and principal remaining to be paid on the loan is \$803,349. For the fiscal year, principal and interest of \$89,222 was paid on the note and total pledged revenue was \$2,638,864.

Annual debt service requirements to maturity for notes payable are as follows:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>		<u>Business - Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 487,814	\$ 30,475	\$ 71,657	\$ 17,560
2017	651,767	24,417	73,475	15,742
2018	521,000	16,014	75,339	13,878
2019	528,000	8,957	77,250	11,967
2020	267,200	1,804	79,210	10,007
2021 - 2024	-	-	337,844	19,420
Total	<u>\$ 2,455,781</u>	<u>\$ 81,667</u>	<u>\$ 714,775</u>	<u>\$ 88,574</u>

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 8 - Long-Term Debt (Continued):

Due to Customer

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. As of September 30, 2015, Niagara had a credit of \$680,986 which is reported as Due to Customer in the financial statements.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Revenue notes payable	\$ 2,689,978	\$ 2,172,700	\$ (2,406,897)	\$ 2,455,781	\$ 487,814
Capital lease	296,860	962,127	(322,279)	936,708	241,805
Compensated absences	209,021	248,136	(129,834)	327,323	32,732
Governmental activity long-term liabilities	<u>\$ 3,195,859</u>	<u>\$ 3,382,963</u>	<u>\$ (2,859,010)</u>	<u>\$ 3,719,812</u>	<u>\$ 762,351</u>
Business-type Activities					
Bonds payable-					
Revenue Bonds	\$ 7,784,090	\$	\$ (169,894)	\$ 7,614,196	\$ 176,560
State revolving loan	784,664		(69,889)	714,775	71,657
Capital lease	19,248		(6,182)	13,066	6,413
Due to customer	794,347		(113,361)	680,986	124,389
Compensated absences	60,159	56,948	(41,985)	75,122	7,512
Business-type activity long-term liabilities	<u>\$ 9,442,508</u>	<u>\$ 56,948</u>	<u>\$ (401,311)</u>	<u>\$ 9,098,145</u>	<u>\$ 386,531</u>

Note 9 - Interfund Receivables, Payables and Transfers:

Interfund receivables and payables are the result of transfers of resources resulting from utility billing transactions. In addition, temporary advances between funds occurred that will be repaid or offset during the next fiscal year.

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 10 - Retirement Plans:

The City has established the City of Groveland, Florida 457(b) Retirement Plan, which is a defined contribution plan established to provide benefits at retirement for all employees with more than one year of service. At September 30, 2015, there were 117 participants. The City is required to contribute 4% of eligible compensation and match 100% of employee contributions up to 3% of total eligible compensation. Employees vest in the employer contribution ratably over the 5 year period following eligibility. Plan provisions and contribution requirements are established and may be amended by the City Council. City contributions to the plan were \$219,953 for the fiscal year ended September 30, 2015.

Note 11 - Other Post Employment Benefits:

The City implemented GASB Statement No. 45, *Accounting and Reporting for Postemployment Benefits Other than Pensions* as of September 30, 2010, for certain postemployment healthcare benefits provided by the City. The requirements of the statement were implemented prospectively. Accordingly, for financial reporting purposes, no liability is reported for the post-employment healthcare benefit liability at the date of this transition.

In accordance with Florida Statutes Section 112.0801, the City makes continued group health insurance through the city's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met. This benefit has no cost to the City, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree. This plan is a single employer plan. The City has chosen pay-as-you-go funding, but is recording the liability in the government-wide financial statements, if any. This plan does not issue stand-alone financial statements.

The City currently has no OPEB liability due to the following conditions:

The only other postemployment benefit the city offers is the ability for retirees to self-pay under the City's group health plan.

The average number of self-paying retirees at any one time has not exceeded one for the last five years.

The City does not expect this situation to change in the foreseeable future.

Accordingly, the City has a net OPEB obligation at September 30, 2015 of zero.

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 12 - Risk Management:

The City is a member of Public Risk Management of Florida (the pool), a local government liability risk pool. The pool has 52 local government agency members.

The pool administers insurance activities relating to property, general liability, police, professional, automobile liability, public officials' liability, workers' compensation, and boiler and machinery. The pool absorbs losses up to a specified amount for each pool year and purchases excess and other specific coverage's from third-party carriers. The pool assesses each member its pro rata share of the estimated amount required to meet current year losses and operating expenses. If total member assessments do not produce sufficient funds to meet its obligations, the pool can make additional limited assessments. Losses, if any, in excess of the pools ability to assess its members would revert back to the member that incurred the loss. There has been no significant reduction in insurance coverage from the prior year, and no settlements in excess of insurance coverage in any of the prior three years. There were no additional assessments levied against the City for the fiscal year ended September 30, 2015. The cost of the insurance is allocated among the appropriate departments and funds.

Note 13 - Commitments and Contingencies:

Amounts received or receivable from grantor are subject to audit and adjustment by grantor agencies, principally federal and state government. 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 to be immaterial.

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2015. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015

Note 14 - Fund Balance:

	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Total</u>
Fund Balances			
Restricted for:			
Community redevelopment	\$ -	\$ 233,702	\$ 233,702
Infrastructure	1,860,607	-	1,860,607
Building department	745,777	-	745,777
Public safety	52,231	-	52,231
Impact fees	2,436,943	-	2,436,943
Committed for:			
Parking	20,078	-	20,078
General sinking fund	1,560,000	-	1,560,000
Unassigned	528,398	-	528,398
	<u>\$ 7,204,034</u>	<u>\$ 233,702</u>	<u>\$ 7,437,736</u>

Note 15 - Evaluation of Subsequent Events:

The City has evaluated subsequent events through the date of the independent auditor's report, the date the financial statements were available to be issued.

In March 2016, the City issued Water and Sewer Revenue Refunding Note 2016, Series A, B, and C in the total amount of \$9.5 million. The Note bears interest rates of 1.80% to 2.55%. The Note was issued to refund the 1991 and 1994 Bonds and to provide funding for water and sewer construction projects.

OTHER REPORTS

**INDEPENDENT AUDITOR'S 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**

Honorable Mayor and City Council
City of Groveland, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Groveland as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Groveland's basic financial statements, and have issued our report thereon dated June 23, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MCDIRMIT DAVIS & COMPANY, LLC

934 North Magnolia Avenue, Suite 100 Orlando, Florida 32803

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Groveland in a separate letter dated June 23, 2016.

Purpose of this Report

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

McDiernit Davis & Company, LLC

Orlando, Florida
June 23, 2016

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Groveland, Florida

Report on the Financial Statement

We have audited the financial statements of the City of *Groveland, Florida*, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 23, 2016.

Auditor's Responsibility

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

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 23, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

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Financial Condition

Section 10.554(1)(i)5.a. and 10.566(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Groveland, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Groveland, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the *City of Groveland, Florida* for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. See Appendix B.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. See Appendix A.

Purpose of this Letter

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

McDiernit Davis & Company, LLC

Orlando, Florida
June 23, 2016

CITY OF GROVELAND, FLORIDA

**APPENDIX A - NONCOMPLIANCE WITH PROVISIONS OF
CONTRACTS OR GRANT AGREEMENTS**

For the Year Ended September 30, 2015

ML 15-1-Compliance with Covenants of Debt Agreements

Criteria - Bond agreements for the Series 1991, 1994, and 2007 bonds require the activities of the water and sewer utility to be reported in a separate fund.

Condition - Activity not related to the water and sewer utility is tracked and reported in the water and sewer fund.

Cause - Sanitation activity is reported in the water and sewer fund.

Effect - The City cannot present water and sewer activity discretely, as required by debt agreements, in accordance with GAAP.

Recommendation - We recommend that activity not relating to the water and sewer utility be tracked and reported in either the general fund or a separate fund.

CITY OF GROVELAND, FLORIDA

**APPENDIX B - CURRENT YEAR RECOMMENDATIONS TO
IMPROVE THE CITY'S FINANCIAL MANAGEMENT**

For the Year Ended September 30, 2015

ML 15-2-Budgeting

Criteria - GAAP does not allow the netting of costs against revenues.

Condition - The City's original and final budgets did not appropriate amounts for costs relating to certain contracts; the expenditures were only included in the budget as a reduction of revenues.

Cause - Costs that increase in proportion with revenues were not appropriated in the budget.

Effect - Expenditures exceeded appropriations in the general government department of the General Fund.

Recommendation - We recommend that appropriations for all expenditures be made in accordance with GAAP.

ML 15-3-Fully Depreciated and Obsolete Capital Assets

Criteria - GAAP requires the disposal of assets no longer in use and Florida Statutes Chapter 274 requires the periodic inventory of tangible personal property.

Condition - During our audit, we noted capital assets reported on the financial statements that appeared to be obsolete or no longer in use.

Cause - Capital asset activity is not reconciled on a regular basis.

Effect - Cost of capital assets could be overstated.

Recommendation - We recommend the City inventory all capital assets on an annual basis, as required by Florida Statutes, and record the disposal of those assets no longer in use.

Honorable Mayor and City Council
City of Groveland, Florida

We have audited the financial statements of the *City of Groveland, Florida* as of and for the year ended September 30, 2015, and have issued our report thereon dated June 23, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 22, 2016, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of City of Groveland solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding compliance with provisions of contracts or grant agreements and other matters noted during our audit in a separate letter to you dated June 23, 2016.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

MCDIRMIT DAVIS & COMPANY, LLC

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the *City of Groveland, Florida* is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended September 30, 2015. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive estimates affecting the City's financial statement were:

Management's estimate for the allowance for doubtful accounts is based on historical loss levels, and an analysis of the individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain representations from management that are included in the management representation letter dated June 23, 2016.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with City of Groveland, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retentions as the City of Groveland's auditors.

Noncompliance with Contract Provisions

We have identified the following matters involving noncompliance with contract provisions that came to our attention during the course of the audit.

The Series 1991, 1994, and 2007 Bonds covenant that the City track and report water and sewer utility activity in a separate fund. Activity related to sanitation (charges to customers and sanitation contract costs) are reported in the Water and Sewer Fund. We recommend that this activity be tracked in the general fund or a new, separate fund in order to comply with debt covenants.

Existence of a Material Misstatement that Affects the Financial Statements of a Prior Period in Which There Was a Predecessor Auditor

We have identified the existence of a material misstatement that affects the prior period financial statements on which the predecessor auditor had previously reported without modification.

No accrual was made for accrued salaries at year end. GAAP requires the recognition of salary expense or expenditure when incurred. In the prior period statements, salaries were reported when paid, not incurred.

Existence of a Material Misstatement that Affects the Financial Statements of a Prior Period in Which There Was a Predecessor Auditor (Continued)

An accrued liability for compensated absences was reported in the general fund and the community redevelopment agency fund. GAAP requires that liabilities only be reported in governmental funds when they are expected to be liquidated with current financial resources, which are determined to be within 60 days after year end. Based on the City's experience with employee turnover, no significant amounts were expected to be liquidated with current financial resources and therefore no amount should be recorded at year end in the governmental funds.

Accrued interest payable was recorded in the general fund and the community redevelopment agency fund. GAAP does not allow the reporting of accrued interest in governmental funds.

Permit costs and the accumulated amortization thereon were reported in the prior statements. We determined that the allowance for amortization was incorrectly calculated and the permits themselves should not have been capitalized. Due to the nature of the permitting process, the related costs are incurred on a continuing basis, which represents the cost of the permit over the period of its use. Capitalization and subsequent amortization would have little effect on the change in net position each period.

The allowance for depreciation was incorrectly calculated in prior years. No depreciation was taken for certain assets added in years 2012, 2013 and 2014. Depreciation was recalculated for all assets based on the established method in Note 1 to the financial statements and the beginning balance was restated to reflect this recalculation.

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

Very truly yours,

McDiernit Davis & Company LLC

Orlando, Florida
June 23, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

The Honorable Mayor and City Council
City of Groveland, Florida

We have examined City of Groveland's (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, City of Groveland complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

McDirmit Davis & Company, LLC

Orlando, Florida
June 23, 2016

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CITY OF GROVELAND
156 S. LAKE AVENUE
GROVELAND, FL 34736

PHONE 352-429-2141
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June 28, 2016

"The city with a future, watch us grow!"

McDermitt Davis & Company, LLC
934 N. Magnolia Ave., Suite 100
Orlando, FL 32803

Re: Management Letter
City of Groveland

In response to Management Letter dated June 23, 2016 pursuant to the City of Groveland annual audit for fiscal year ended September 30, 2015, please find the City of Groveland's management responses to the Management Letter Audit Comments:

Management Response to Current Year Management Comments:

ML 15-1-Compliance with Covenants of Debt Agreements

Criteria - Bond agreements for the Series 1991, 1994, and 2007 bonds require the activities of the water and sewer utility to be reported in a separate fund.

Condition – Activity not related to the water and sewer utility is tracked and reported in the water and sewer fund.

Cause – Sanitation activity is reported in the water and sewer fund.

Effect – The City cannot present water and sewer activity discretely, as required by debt agreements, in accordance with GAAP.

Recommendation – We recommend that activity not relating to the water and sewer utility be tracked and reported in either the general fund or a separate fund.

Management Response

Management agrees that activity not relating to the water and sewer utility should be tracked and reported in either the general fund or a separate Enterprise Fund.

Management will investigate options to present sanitation activity elsewhere. We will confer with Council and take action to implement this recommendation prior to the end of fiscal year 2015-2016.

ML 15-2-Budgeting

Criteria – GAAP does not allow the netting of costs against revenues.

Condition – The City’s original and final budgets did not appropriate amounts for costs relating to certain contracts; the expenditures were only included in the budget as a reduction of revenues.

Cause – Costs that increase in proportion with revenues were not appropriated in the budget.

Effect – Expenditures exceeded appropriations in the general government department of the General Fund.

Recommendation – We recommend that appropriations for all expenditures be made in accordance with GAAP.

Management Response

Management agrees that GAAP does not allow the netting of costs against revenues.

Management will prepare a budget amendment for the 2015-2016 fiscal year to appropriately reflect the expenditures associated with the contract with Alpha Inspections and American Traffic Solutions. Future years will be budgeted appropriately

ML 15-3-Fully Depreciated and Obsolete Capital Assets

Criteria – GAAP requires the disposal of assets no longer in use and Florida Statutes Chapter 274 required the periodic inventory of tangible personal property,

Condition – During our audit, we noted capital assets reported on the financial statements that appeared to be obsolete or no longer in use.

Cause – Capital asset activity is not reconciled on a regular basis.

Effect – Cost of capital assets could be overstated.

Recommendation – We recommend the City inventory all capital assets on an annual basis, as required by Florida Statutes, and record the disposal of those assets no longer in use.

Management Response

Management agrees that GAAP requires the disposal of assets no longer in use and Florida Statutes Chapter 274 requires the periodic inventory of tangible personal property.

Management will have an inventory performed on all capital assets on an annual basis as required by Florida Statutes and will record the disposal of those assets no longer in use in a timely manner.

Respectfully,



Gwen Walker
Finance Director

"The city with a future, watch us grow!"

Affidavit of Impact Fee Compliance

Impact fee collections, expenditures and accounting are provided for in separate accounting funds and comply with Florida Statute 163.31801.

Gwen Walker
Gwen Walker
Finance Director

State of Florida
County of Lake

The foregoing instrument was acknowledged before me this 24th day of June, 2016, by Gwen Walker, Finance Director of the City of Groveland on behalf of the City of Groveland. She is personally known to me.

Teresa F Begley
Teresa Begley, Notary Public
State of Florida

