



**City of Groveland, Florida**  
**FINANCIAL STATEMENTS**  
**Year Ended September 30, 2019**



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**City of Groveland, Florida**  
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**September 30, 2019**

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**City of Groveland, Florida  
City Officials  
As of September 30, 2019**

**MAYOR**

Evelyn Wilson

**VICE MAYOR**

Mike Radzik

**CITY COUNCIL**

Dina Sweatt  
Mike Smith  
Randolph Waite

**CITY MANAGER**

Michael Hein

**CITY ATTORNEY**

Anita Geraci-Carver, Esq.

**CITY CLERK**

Virginia Wright



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## **INDEPENDENT AUDITORS' REPORT**

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

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 as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to 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 of Groveland, Florida, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and other post-employment benefits schedules on pages 3-11 and 63-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2020, on our consideration of the City of Groveland, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Groveland, Florida's internal control over financial reporting and compliance.

*Cam, Riggs & Ingram, L.L.C.*

Melbourne, Florida

July 27, 2020

## City of Groveland, Florida Management's Discussion and Analysis

As management of the City of Groveland (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$71,614,753 (net position). Of this amount, \$9,451,575 (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 \$3,509,138 or 5.2%
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,654,490, an increase of \$4,927,955 in comparison with the prior year. Approximately 1.6% of this amount is available for spending at the government's discretion (assigned and unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$2,283,788 or approximately 17.5% of total general fund expenditures.
- The City's total outstanding long-term debt, not including compensated absences and other post-employment benefits, decreased by \$1,412,148 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### Government-wide Financial Statements

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

The Statement of Net Position presents financial information of all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or declining.

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

## City of Groveland, Florida Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, recreation and community development. The business-type activities of the City include water, sewer, and reclaimed water system and sanitation utility services. The government-wide financial statements can be found on pages 14-17 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 objects. The City, like other state and local governments, uses fund accounting to ensure and demonstration compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

#### *Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

The City maintains four 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, the Community Redevelopment Agency, the Impact Fee Fund and Building Services Fund.

The City of Groveland adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund, the Community Redevelopment Agency Fund and the Building Services Fund to demonstrate compliance with their budgets.

The basic governments fund financial statements can be found on pages 18-30 of this report.

#### *Proprietary Funds*

The City maintains one type of proprietary fund – an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water, sewer, and reclaimed water system and sanitation utility activities.

## City of Groveland, Florida Management's Discussion and Analysis

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, Sewer and Reclaimed Water Utility and the Sanitation Utility activities.

The basic proprietary fund financial statements can be found of pages 26-30 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 31-59 of this report.

### Government-wide Overall Financial Analysis

#### Statement of Net Position

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Groveland, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$71,614,753 at the close of the most recent fiscal year.

	Governmental Activities		Business-type Activities		Total	
	2019	2018*	2019	2018*	2019	2018*
<b>Assets:</b>						
Current and other assets	\$ 26,685,227	\$ 23,502,179	\$ 9,541,798	\$ 13,722,276	\$ 36,227,025	\$ 37,224,455
Capital assets	17,888,265	15,530,189	40,202,288	40,557,389	58,090,553	56,087,578
Total assets	44,573,492	39,032,368	49,744,086	54,279,665	94,317,578	93,312,033
<b>Liabilities:</b>						
Long-term liabilities	6,054,920	6,865,318	10,694,313	12,284,975	16,749,233	19,150,293
Other liabilities	3,874,280	4,900,508	2,079,312	1,040,538	5,953,592	5,941,046
Total liabilities	9,929,200	11,765,826	12,773,625	13,325,513	22,702,825	25,091,339
<b>Net Position:</b>						
Net investment in capital assets	11,982,803	13,697,501	28,989,981	33,649,039	40,972,784	47,346,540
Restricted	21,190,394	9,378,004	-	5,045,465	21,190,394	14,423,469
Unrestricted	1,471,095	4,191,037	7,980,480	2,259,648	9,451,575	6,450,685
Total net position	\$ 34,644,292	\$ 27,266,542	\$ 36,970,461	\$ 40,954,152	\$ 71,614,753	\$ 68,220,694

\* As previously reported.

By far the largest portion of the City's net position (57.2%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment, and construction in progress), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City'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.

An additional portion of the City's net position (29.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,451,575 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

## City of Groveland, Florida Management's Discussion and Analysis

As of September 30, 2019, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

### Statement of Activities

The following table reflects the condensed Statements of Activities for the current and prior year:

	Governmental Activities		Business-type Activities		Total	
	2019	2018*	2019	2018*	2019	2018*
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 3,234,259	\$ 3,848,423	\$ 7,891,270	\$ 7,145,122	\$ 11,125,529	\$ 10,993,545
Operating grants & contributions	-	228,189	-	-	-	228,189
Capital grants & contributions	3,755,955	3,318,440	220,644	4,686,204	3,976,599	8,004,644
<b>General Revenues:</b>						
Property taxes	4,404,402	3,774,862	-	-	4,404,402	3,774,862
Utility taxes and franchise fees	2,276,730	1,981,877	-	-	2,276,730	1,981,877
Intergovernmental	3,410,760	2,794,408	-	-	3,410,760	2,794,408
Investment earnings	439,094	203,869	42,229	84,442	481,323	288,311
Miscellaneous	296,857	283,191	9,158	-	306,015	283,191
<b>Total revenues</b>	<b>17,818,057</b>	<b>16,433,259</b>	<b>8,163,301</b>	<b>11,915,768</b>	<b>25,981,358</b>	<b>28,349,027</b>
<b>Expenses:</b>						
General government	4,821,659	3,498,955	-	-	4,821,659	3,498,955
Public safety	6,562,002	5,589,323	-	-	6,562,002	5,589,323
Roads and streets	1,220,308	1,156,028	-	-	1,220,308	1,156,028
Parks & recreation	1,138,660	807,114	-	-	1,138,660	807,114
Community development	386,902	220,458	-	-	386,902	220,458
Interest on long-term debt	85,646	224,289	-	-	85,646	224,289
Water & sewer system	-	-	7,394,541	6,559,535	7,394,541	6,559,535
Sanitation services	-	-	862,502	772,695	862,502	772,695
<b>Total expenses</b>	<b>14,215,177</b>	<b>11,496,167</b>	<b>8,257,043</b>	<b>7,332,230</b>	<b>22,472,220</b>	<b>18,828,397</b>
Increase (decrease) in net position before transfers	3,602,880	4,937,092	(93,742)	4,583,538	3,509,138	9,520,630
Transfers	3,758,346	375,000	(3,758,346)	(375,000)	-	-
<b>Increase (decrease) in net position</b>	<b>7,361,226</b>	<b>5,312,092</b>	<b>(3,852,088)</b>	<b>4,208,538</b>	<b>3,509,138</b>	<b>9,520,630</b>
Net position, October 1, as previously reported	27,266,542	21,954,450	40,954,152	36,745,614	68,220,694	58,700,064
Prior period adjustments	16,524	-	(131,603)	-	(115,079)	-
Net position, October 1, as restated	27,283,066	21,954,450	40,822,549	36,745,614	68,105,615	58,700,064
<b>Net position, September 30</b>	<b>\$ 344,644,292</b>	<b>\$ 27,266,542</b>	<b>\$ 36,970,461</b>	<b>\$ 40,954,152</b>	<b>\$ 71,614,753</b>	<b>\$ 68,220,694</b>

\* As previously reported.

#### Governmental activities.

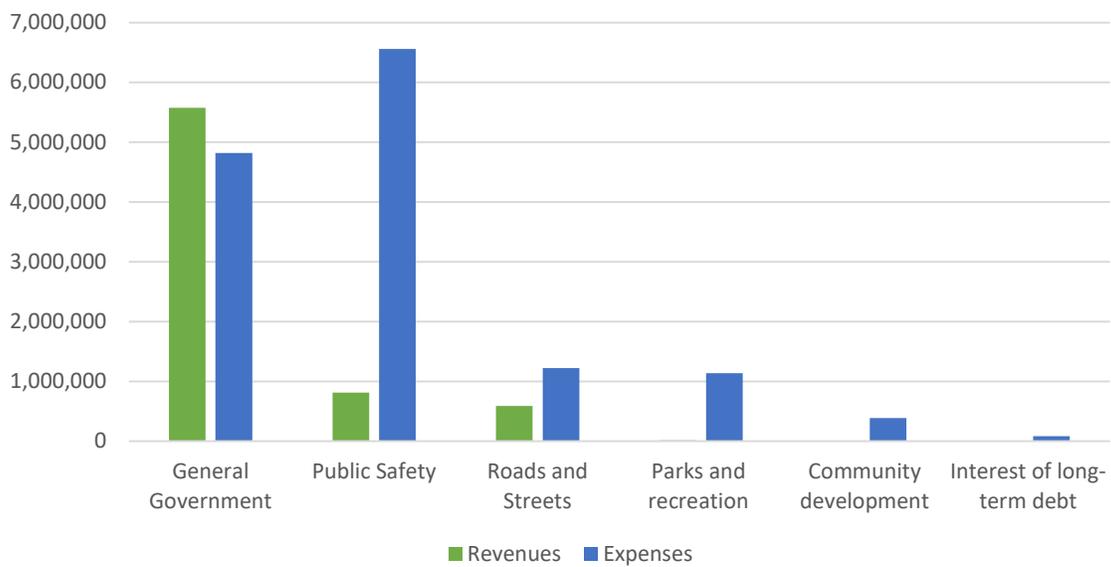
During the current fiscal year, net position for governmental activities increased by \$7,361,226 from the prior fiscal year. General revenues increased by approximately 19.8% due to increases in property taxes, utility taxes and franchise fees, intergovernmental revenues, and investment earnings. 6.9% of this increase is attributable to prior year understatement of general revenues of \$551,186 as discussed in Note 2 to the financial statements. Program revenues decreased by approximately 5.5%, primarily from a reduction in the charges related to building permits.

## City of Groveland, Florida Management's Discussion and Analysis

Governmental expenditures increased \$2,719,010 compared to the fiscal year ending September 30, 2019. The Primary reasons are increases in contingency for overpayments related to the building fund for \$636,739, increase staff costs in public safety, and increase staff costs in parks and recreation.

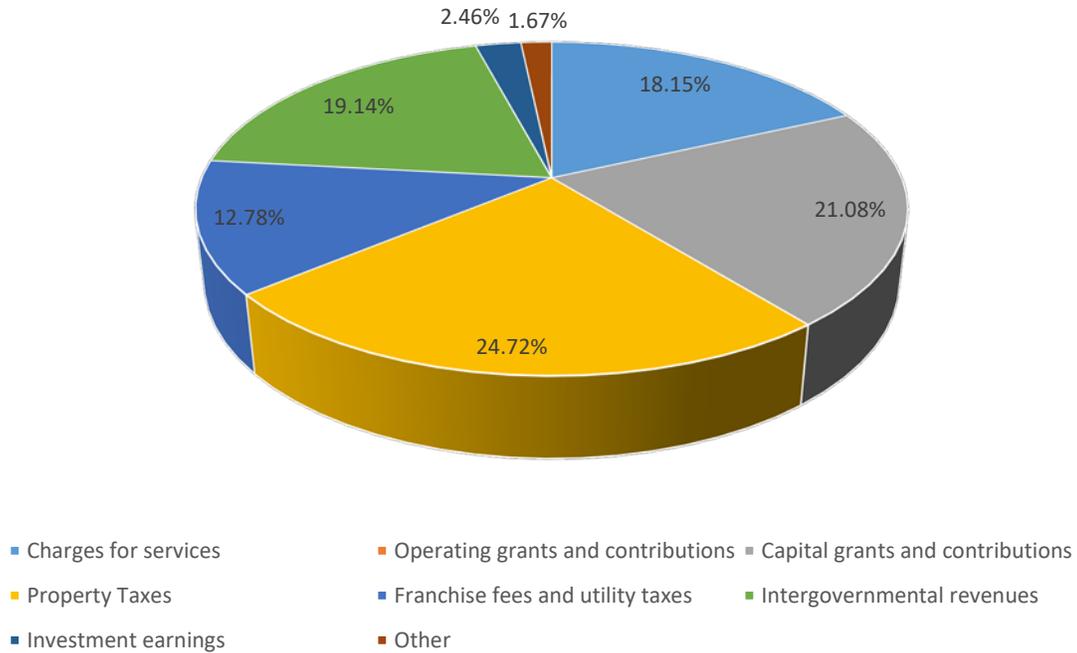
The first chart that follows compares each program's expenses with revenues generated by the program. The next chart displays the City's revenues by source. Public safety represents one of the City's major services and the majority of resources used to fund the service are not generated by the program. Revenues from taxes and other general resources provide the remaining funding necessary for public safety.

### Expenses and Program Revenues - Governmental Activities



## City of Groveland, Florida Management's Discussion and Analysis

### 2019 Revenues by Source - Governmental Activities



#### *Business-type Activities*

Business-type activities decreased the City's net position by \$3,852,088. The change in net position is primarily related to the transfer of impact fees to the impact fee fund. Operating revenues for the enterprise funds decreased by approximately \$3.7 million and this is attributed primarily to a decrease in donated infrastructure to the water and sewer utility. This decrease was offset with an increase in metered sales as a result of new homes entering services of approximately \$0.8 million. Operating expenses for the enterprise funds increased by approximately \$0.9 million in part to increased recognized depreciation and other operating expenses as a result of increased sludge removal costs and repairs to Water Plant #5.

#### **Financial Analysis of Government's Funds**

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

#### *Governmental funds.*

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$23,654,490, an increase of \$4,927,955 in comparison with the prior year. Unassigned fund balance has decreased, primarily due to committing resources to construction projects and required reserves. The remainder of fund balance represents a legally restricted funding source, has been committed to a specific purpose by City action or is not in liquid form available for new spending.

## City of Groveland, Florida Management's Discussion and Analysis

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$0, while total fund balance reached \$9,806,839. 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 assigned fund balances represents 2.9% of total General Fund expenditures, while total fund balance represents 75.3% of that same amount.

The fund balance of the City's General Fund decreased by \$8,118,849 during the current fiscal year, compared to a \$2,262,551 increase in the prior year. The City saw decreased expenditures in the General Fund. Key factors in these results are as follows:

- The City created two additional governmental funds to separately maintain restricted revenues for both impact fees and building service fees, which were previously accounted for in the General Fund. These transfers to create those two funds totaled \$7,272,267.
- Overall General Fund Revenues decreased by \$3,075,662. This change relates to the change in adding two additional governmental funds as those two funds generated approximately \$5.6 million for the current year. Of the revenue lines which remained in the General Fund, those items increased by \$1,107,377. This increase is primarily attributable to increases in Property taxes, franchise and utility taxes and intergovernmental revenues. \$551,186 of this increase is related to the understatement of general revenues in the prior year. See Note 2 to the financial statements.

### *Proprietary funds.*

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year for the Water and Sewer System amounted to \$6,782,598 and for the Sanitation Services amounted to \$1,197,882. The total decrease in net position for the enterprise fund was \$3,852,088. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

There was two budget expenditures amendments totaling \$1,114,648 during the year ended September 30, 2019.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounted to \$58,090,553 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and other infrastructure items. The percentage increase from prior year (fiscal year 2018) in the City's investment was approximately 3.5%.

## City of Groveland, Florida Management's Discussion and Analysis

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 7,884,780	\$ 7,884,780	\$ 1,160,332	\$ 1,160,332	\$ 9,045,112	\$ 9,045,112
Buildings	755,718	769,179	1,114,608	2,993,944	1,870,326	3,763,123
Improvements other than buildings	4,345,695	3,949,042	36,842,458	35,525,686	41,188,153	39,474,728
Machinery and equipment	2,468,988	2,440,312	651,058	771,853	3,120,046	3,212,165
Construction in progress	2,433,084	486,876	433,832	105,574	2,866,916	592,450
<b>Total</b>	<b>\$ 17,888,265</b>	<b>\$ 15,530,189</b>	<b>\$ 40,202,288</b>	<b>\$ 40,557,389</b>	<b>\$ 58,090,553</b>	<b>\$ 56,087,578</b>

Major Capital asset events include the following:

- Construction on the Public Safety Complex
- Construction on Lake David and Cherry Lake Parks
- Completion of water and sewer infrastructure upgrades placed into service.

Additional information on the City's capital assets can be found in Note 3.C starting on page 46 of this report.

### Long-term Debt

At the end of the current fiscal year, the City had total bonded debt, loans and capital leases outstanding of \$16,858,379 a decrease of \$1,412,148 from \$18,270,527 at September 30, 2018.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue Bonds	\$ -	\$ -	\$ 5,218,410	\$ 5,322,904	\$ 5,218,410	\$ 5,322,904
State Revolving Fund Loan	-	-	417,056	494,305	417,056	494,305
Revenue Note Payable	5,141,365	5,295,200	5,494,000	5,938,000	10,635,365	11,233,200
Capital Leases	504,707	1,057,939	82,841	162,179	587,548	1,220,118
Due to customer	-	-	71,200	278,586	71,200	278,586
<b>Total</b>	<b>\$ 5,646,072</b>	<b>\$ 6,353,139</b>	<b>\$ 11,283,507</b>	<b>\$ 12,195,974</b>	<b>\$ 16,929,579</b>	<b>\$ 18,549,113</b>

Additional information on the City's outstanding debt can be found in Notes 3.D. and 3.E. starting on page 48 of this report.

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

The following economic factors currently affect the City of Groveland and were considered in developing the 2019-2020 fiscal year budget.

- As of the United States Censes count of April 1, 2010, the City had an estimated population of 8,729. The population estimate issued for 2019 by the State of Florida, Office of Economic and Demographic Research shows the City's population has increased to 18,255.
- During the fiscal year 2019, the City issued building permits for the construction of 550 new single family homes. The City expects continued local economic conditions to remain favorable in the near term. This is proven with construction in the C. Ford Industrial Park of a Kroger Distribution Center and Amazon Distribution Center.

## **City of Groveland, Florida Management's Discussion and Analysis**

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Groveland, Florida'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 City of Groveland, Attention: Finance Director, 156 S. Lake Avenue, Groveland, Florida 34736.



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**CITY OF GROVELAND, FLORIDA**  
Basic Financial Statements

**City of Groveland, Florida**  
**Statement of Net Position**

<i>September 30, 2019</i>	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,911,621	\$ 7,008,311	\$ 22,919,932
Investments	9,801,346	-	9,801,346
Receivables, net	222,704	499,502	722,206
Prepaid items	180,308	-	180,308
Due from other governments	569,248	-	569,248
Restricted assets:			
Cash and cash equivalents	-	2,033,985	2,033,985
Capital assets:			
Non-depreciable	10,317,864	1,594,164	11,912,028
Depreciable (net)	7,570,401	38,608,124	46,178,525
Total assets	44,573,492	49,744,086	94,317,578
<b>LIABILITIES</b>			
Accounts payable	1,340,623	325,398	1,666,021
Accrued liabilities	297,717	80,071	377,788
Due to other governments	1,392,397	-	1,392,397
Accrued interest	50,179	30,094	80,273
Customer deposits payable	-	834,596	834,596
Non-current liabilities:			
Due within one year:			
Compensated absences	31,196	59,376	90,572
Due to customer	-	71,200	71,200
Other post-employment benefits	111	23	134
Bonds, notes and capital leases	762,057	678,554	1,440,611
Due in more than one year:			
Compensated absences	496,369	18,226	514,595
Other post-employment benefits	674,536	142,334	816,870
Bonds, notes and capital leases	4,884,015	10,533,753	15,417,768
Total liabilities	9,929,200	12,773,625	22,702,825

*The accompanying notes are an integral part of this financial statement.*

<b>Primary Government</b>			
<i>September 30, 2019</i>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>NET POSITION</b>			
Net investment in capital assets	<b>11,982,803</b>	<b>28,989,981</b>	<b>40,972,784</b>
Restricted for:			
Community development	<b>479,064</b>	-	<b>479,064</b>
Infrastructure	<b>3,601,587</b>	-	<b>3,601,587</b>
Capital projects	<b>13,913,965</b>	-	<b>13,913,965</b>
Public safety	<b>3,195,778</b>	-	<b>3,195,778</b>
Unrestricted	<b>1,471,095</b>	<b>7,980,480</b>	<b>9,451,575</b>
Total net position	<b>\$ 34,644,292</b>	<b>\$ 36,970,461</b>	<b>\$ 71,614,753</b>

**City of Groveland, Florida**  
**Statement of Activities**

*For the year ended September 30, 2019*

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 4,821,659	\$ 3,147,614	-	\$ 2,425,600
Public safety	6,562,002	71,573	-	743,562
Roads and streets	1,220,308	-	-	586,793
Parks and recreation	1,138,660	15,072	-	-
Community development	386,902	-	-	-
Interest on long-term debt	85,646	-	-	-
Total governmental activities	<b>14,215,177</b>	<b>3,234,259</b>	-	<b>3,755,955</b>
Business-type activities:				
Water and sewer system	7,394,541	6,550,705	-	220,644
Sanitation services	862,502	1,340,565	-	-
Total business-type activities	<b>8,257,043</b>	<b>7,891,270</b>	-	<b>220,644</b>
<b>Total primary government</b>	<b>\$ 22,472,220</b>	<b>\$ 11,125,529</b>	<b>\$ -</b>	<b>\$ 3,976,599</b>

General revenues and transfers:

Taxes:

  Property taxes, levied for general purposes

  Franchise fees and utility taxes

  Intergovernmental

  Investment earnings

  Miscellaneous

  Transfers, net

---

Total general revenues

---

Change in net position

---

Net position, beginning of year as previously reported

---

Prior period adjustment (see Note 2)

---

Net position, beginning of year as restated

---

Net position, end of year

---

*The accompanying notes are an integral part of this financial statement.*

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ 751,555	\$ -	\$ 751,555
(5,746,867)	-	(5,746,867)
(633,515)	-	(633,515)
(1,123,588)	-	(1,123,588)
(386,902)	-	(386,902)
(85,646)	-	(85,646)
<b>(7,224,963)</b>	<b>-</b>	<b>(7,224,963)</b>
-	(623,192)	(623,192)
-	478,063	478,063
-	(145,129)	(145,129)
<b>(7,224,963)</b>	<b>(145,129)</b>	<b>(7,370,092)</b>
4,404,402	-	4,404,402
2,276,730	-	2,276,730
3,410,760	-	3,410,760
439,094	42,229	481,323
296,857	9,158	306,015
3,758,346	(3,758,346)	-
<b>14,586,189</b>	<b>(3,706,959)</b>	<b>10,879,230</b>
<b>7,361,226</b>	<b>(3,852,088)</b>	<b>3,509,138</b>
27,266,542	40,954,152	68,220,694
16,524	(131,603)	(115,079)
<b>27,283,066</b>	<b>40,822,549</b>	<b>68,105,615</b>
<b>\$ 34,644,292</b>	<b>\$ 36,970,461</b>	<b>\$ 71,614,753</b>

**City of Groveland, Florida**  
**Balance Sheet - Governmental Funds**

<i>September 30, 2019</i>	<b>General Fund</b>	<b>Community Redevelopment Agency</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,837,911	\$ 575,708
Investments	7,163,352	-
Accounts receivable	222,704	-
Due from other governments	569,248	-
Prepaid items	7,875	172,433
<b>Total assets</b>	<b>\$ 11,801,090</b>	<b>\$ 748,141</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 318,167	\$ 91,948
Accrued payroll and related liabilities	283,687	4,696
Due to other governments	1,392,397	-
<b>Total liabilities</b>	<b>1,994,251</b>	<b>96,644</b>
Fund balances:		
Nonspendable	7,875	172,433
Restricted		
Community development	-	479,064
Capital projects	3,860,007	-
Infrastructure	3,601,587	-
Public safety	53,582	-
Committed		
Parking	20,087	-
General sinking fund	1,884,015	-
Assigned		
Subsequent expenditures	379,686	-
Unassigned	-	-
<b>Total fund balances</b>	<b>9,806,839</b>	<b>651,497</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 11,801,090</b>	<b>\$ 748,141</b>

*The accompanying notes are an integral part of this financial statement.*

<b>Impact Fee Fund</b>	<b>Building Services Fund</b>	<b>Total Governmental Funds</b>
\$ 7,633,022	\$ 3,864,980	\$ 15,911,621
2,637,994	-	9,801,346
-	-	222,704
-	-	569,248
-	-	180,308
<b>\$ 10,271,016</b>	<b>\$ 3,864,980</b>	<b>\$ 26,685,227</b>

\$ 217,058	\$ 713,450	\$ 1,340,623
-	9,334	297,717
-	-	1,392,397
<b>217,058</b>	<b>722,784</b>	<b>3,030,737</b>

-	-	180,308
-	-	479,064
10,053,958	-	13,913,965
-	-	3,601,587
-	3,142,196	3,195,778
-	-	20,087
-	-	1,884,015
-	-	379,686
-	-	-
<b>10,053,958</b>	<b>3,142,196</b>	<b>23,654,490</b>
<b>\$ 10,271,016</b>	<b>\$ 3,864,980</b>	<b>\$ 26,685,227</b>



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**City of Groveland, Florida**

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of  
Net Position**

Total fund balances - governmental funds **\$ 23,654,490**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reporting in the funds.

Governmental capital assets	\$ 30,514,096	
Less accumulated depreciation	<u>(12,625,831)</u>	<b>17,888,265</b>

Long-term liabilities, including notes payable, capital leases and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.

Notes payable	(5,141,365)	
Compensated absences	(527,565)	
Other post-employment benefits	(674,647)	
Capital leases	(504,707)	
Accrued interest	(50,179)	<b>(6,898,463)</b>

Net position of governmental activities	<b>\$ 34,644,292</b>
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*The accompanying notes are an integral part of this financial statement.*

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

<i>For the year ended September 30, 2019</i>	General Fund	Community Redevelopment Agency	Impact Fee Fund
<b>Revenues</b>			
Property taxes	\$ 3,869,071	\$ 535,331	\$ -
Franchise and utility taxes	2,276,730	-	-
Licenses and permits	111,926	-	-
Intergovernmental	3,480,006	-	-
Charges for services	870,954	-	-
Fines and forfeitures	66,729	-	-
Impact fees	-	-	3,274,285
Interest and other	222,046	-	158,405
Miscellaneous revenue	84,296	55,900	-
<b>Total revenues</b>	<b>10,981,758</b>	<b>591,231</b>	<b>3,432,690</b>
<b>Expenditures</b>			
Current:			
General government	2,330,224	-	-
Public safety	5,832,969	-	-
Roads and streets	885,615	-	-
Community development	-	308,253	-
Parks and recreation	871,803	-	-
Capital outlay	1,837,199	432,328	1,150,029
Debt service:			
Principal	1,128,783	-	-
Interest and fiscal charges	139,124	-	-
<b>Total expenditures</b>	<b>13,025,717</b>	<b>740,581</b>	<b>1,150,029</b>
Excess (deficiency) of revenues over (under) expenditures	(2,043,959)	(149,350)	2,282,661
<b>Other financing sources (uses)</b>			
Transfers in	-	-	8,290,527
Transfers out	(7,272,267)	-	(519,230)
Proceeds from issuance of debt	421,716	-	-
Proceeds from sale of assets	775,661	-	-
<b>Net other financing sources (uses)</b>	<b>(6,074,890)</b>	<b>-</b>	<b>7,771,297</b>
<b>Net change in fund balances</b>	<b>(8,118,849)</b>	<b>(149,350)</b>	<b>10,053,958</b>
Fund balances, beginning of year as previously reported	17,285,481	800,847	-
Prior period adjustment (see Note 2)	640,207	-	-
Fund balances, beginning of year as restated	17,925,688	800,847	-
<b>Fund balances, end of year</b>	<b>\$ 9,806,839</b>	<b>\$ 651,497</b>	<b>\$ 10,053,958</b>

*The accompanying notes are an integral part of this financial statement.*

Building Services Fund	Total Governmental Funds
\$ -	\$ 4,404,402
-	2,276,730
2,184,650	2,296,576
-	3,480,006
-	870,954
-	66,729
-	3,274,285
58,643	439,094
-	140,196
<b>2,243,293</b>	<b>17,248,972</b>
-	2,330,224
2,360,413	8,193,382
-	885,615
-	308,253
-	871,803
-	3,419,556
-	1,128,783
-	139,124
<b>2,360,413</b>	<b>17,276,740</b>
<b>(117,120)</b>	<b>(27,768)</b>
3,259,316	11,549,843
-	(7,791,497)
-	421,716
-	775,661
<b>3,259,316</b>	<b>4,955,723</b>
<b>3,142,196</b>	<b>4,927,955</b>
-	18,086,328
-	640,207
-	18,726,535
<b>\$ 3,142,196</b>	<b>\$ 23,654,490</b>



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**City of Groveland, Florida**

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

Net change in fund balances - total governmental funds \$ 4,927,955

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

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

Expenditures for capital assets	\$ 3,124,968	
Capital contribution	412,424	
Less current year depreciation	<u>(1,179,316)</u>	<b>2,358,076</b>

Revenues recognized in a prior period in the statement of activities that did not provide current financial resources were not recognized in the funds until such resources were provided. **(619,000)**

Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position. **(421,716)**

Repayment of note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. **1,128,783**

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 the governmental funds

Accrued interest **53,478**

Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year. **(15,386)**

Other postemployment benefit obligation reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds. **(50,964)**

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Change in net position of governmental activities \$ 7,361,226

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*The accompanying notes are an integral part of this financial statement.*

**City of Groveland, Florida**  
**Statement of Net Position - Proprietary Funds**

<i>September 30, 2019</i>	Business-type Activities - Enterprise Funds		
	Water and Sewer System	Sanitation Services	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 5,997,967	\$ 1,010,344	\$ 7,008,311
Cash and cash equivalents, restricted	1,884,338	149,647	2,033,985
Accounts receivable, net	385,769	113,733	499,502
Total current assets	8,268,074	1,273,724	9,541,798
Noncurrent assets:			
Capital assets:			
Land	1,160,332	-	1,160,332
Infrastructure	56,902,212	-	56,902,212
Building and improvements	1,396,936	-	1,396,936
Equipment	2,357,126	-	2,357,126
Construction in progress	433,832	-	433,832
Total capital assets	62,250,438	-	62,250,438
Less accumulated depreciation	(22,048,150)	-	(22,048,150)
Total capital assets, net of accumulated depreciation	40,202,288	-	40,202,288
Total noncurrent assets	40,202,288	-	40,202,288
Total assets	48,470,362	1,273,724	49,744,086

*The accompanying notes are an integral part of this financial statement.*

<i>September 30, 2019</i>	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer System</b>	<b>Sanitation Services</b>	<b>Total</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	329,627	75,842	405,469
Accrued interest payable	30,094	-	30,094
Bond payable	108,804	-	108,804
Capital lease payable	35,542	-	35,542
Compensated absences	59,376	-	59,376
Other post-employment benefits	23	-	23
Customer deposits payable	834,596	-	834,596
Due to customer	71,200	-	71,200
Notes payable	534,208	-	534,208
<b>Total current liabilities</b>	<b>2,003,470</b>	<b>75,842</b>	<b>2,079,312</b>
Noncurrent liabilities:			
Capital lease payable	47,299	-	47,299
Compensated absences	18,226	-	18,226
Other post-employment benefits	142,334	-	142,334
Bonds payable after one year	5,109,606	-	5,109,606
Due to customer after one year	-	-	-
Notes payable after one year	5,376,848	-	5,376,848
<b>Total noncurrent liabilities</b>	<b>10,694,313</b>	<b>-</b>	<b>10,694,313</b>
<b>Total liabilities</b>	<b>12,697,783</b>	<b>75,842</b>	<b>12,773,625</b>
<b>NET POSITION</b>			
Net investment in capital assets	28,989,981	-	28,989,981
Unrestricted	6,782,598	1,197,882	7,980,480
<b>Total net position</b>	<b>\$ 35,772,579</b>	<b>\$ 1,197,882</b>	<b>\$ 36,970,461</b>

**City of Groveland, Florida**  
**Statement of Revenues, Expenses and Changes in Fund Net Position –**  
**Proprietary Funds**

<i>For the year ended September 30, 2019</i>	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer System</b>	<b>Sanitation Services</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services	\$ 6,550,705	\$ 1,340,565	\$ 7,891,270
Miscellaneous	9,108	-	9,108
Total operating revenues	6,559,813	1,340,565	7,900,378
<b>Operating expenses:</b>			
Salaries, wages and employee benefits	1,669,803	-	1,669,803
Contractual, materials, and supplies	1,639	862,502	864,141
Utilities	499,992	-	499,992
Insurance claims and expense	264,003	-	264,003
Depreciation	2,121,712	-	2,121,712
Repairs and maintenance	530,903	-	530,903
Other operating expenses	1,927,287	-	1,927,287
Total operating expenses	7,015,339	862,502	7,877,841
Operating income (loss)	(455,526)	478,063	22,537
<b>Nonoperating revenues (expenses):</b>			
Interest income	32,320	9,909	42,229
Interest and fiscal charges	(379,202)	-	(379,202)
Gain on sale/disposal of capital assets	50	-	50
Total nonoperating revenues (expenses)	(346,832)	9,909	(336,923)
<b>Income (loss) before contributions and transfers</b>	<b>(802,358)</b>	<b>487,972</b>	<b>(314,386)</b>
Capital contributions	220,644	-	220,644
Transfers in	565,849	-	565,849
Transfers out	(4,324,195)	-	(4,324,195)
Change in net position	(4,340,060)	487,972	(3,852,088)
<b>Net position, beginning of year as previously reported</b>	<b>40,244,242</b>	<b>709,910</b>	<b>40,954,152</b>
<b>Prior period adjustment (see Note 2)</b>	<b>(131,603)</b>	<b>-</b>	<b>(131,603)</b>
<b>Net position, beginning of year as restated</b>	<b>40,112,639</b>	<b>709,910</b>	<b>40,822,549</b>
<b>Net position, end of year</b>	<b>\$ 35,772,579</b>	<b>\$ 1,197,882</b>	<b>\$ 36,970,461</b>

*The accompanying notes are an integral part of this financial statement.*

**City of Groveland, Florida**  
**Statement of Cash Flows – Proprietary Funds**

<i>For the year ended September 30, 2019</i>	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer System</b>	<b>Sanitation Services</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers for sales and services	\$ 6,672,766	\$ 1,333,068	\$ 8,005,834
Cash payments to employees	(1,646,003)	-	(1,646,003)
Cash payments to suppliers for goods and services	(3,081,946)	(853,798)	(3,935,744)
Cash payments for insurance and claims expenses	(264,003)	-	(264,003)
<b>Net cash provided by operating activities</b>	<b>1,680,814</b>	<b>479,270</b>	<b>2,160,084</b>
<b>Cash flows from noncapital financing activities:</b>			
Cash transfers in from other funds	565,849	-	565,849
Cash transfers out to other funds	(4,324,195)	-	(4,324,195)
<b>Net cash used in noncapital financing activities</b>	<b>(3,758,346)</b>	<b>-</b>	<b>(3,758,346)</b>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	(1,545,967)	-	(1,545,967)
Proceeds from sale of capital assets	50	-	50
Principal paid on State Revolving Fund loan	(77,249)	-	(77,249)
Principal paid on lease obligations	(79,338)	-	(79,338)
Principal paid on revenue bond	(104,494)	-	(104,494)
Principal paid on revenue note payable	(444,000)	-	(444,000)
Interest paid on long-term debt, net of subsidy	(387,906)	-	(387,906)
<b>Net cash used in capital and related financing activities</b>	<b>(2,638,904)</b>	<b>-</b>	<b>(2,638,904)</b>
<b>Cash flows from investing activities:</b>			
Investment income	32,320	9,909	42,229
Purchase of investments	2,904,742	-	2,904,742
<b>Net cash provided by investing activities</b>	<b>2,937,062</b>	<b>9,909</b>	<b>2,946,971</b>
Net increase (decrease) in cash and cash equivalents	(1,779,374)	489,179	(1,290,195)
<b>Cash and cash equivalents, beginning of year</b>	<b>9,661,679</b>	<b>670,812</b>	<b>10,332,491</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,882,305</b>	<b>\$ 1,159,991</b>	<b>\$ 9,042,296</b>

*The accompanying notes are an integral part of this financial statement.*

**City of Groveland, Florida**  
**Statement of Cash Flows – Proprietary Funds (Continued)**

<i>For the year ended September 30, 2019</i>	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer System</b>	<b>Sanitation Services</b>	<b>Total</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (455,526)	\$ 478,063	\$ 22,537
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,121,712	-	2,121,712
Bad debt expense	-	-	-
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(6,962)	(7,497)	(14,459)
Increase (decrease) in liabilities:			
Accounts payable	85,261	8,704	93,965
Accrued payroll and related liabilities	24,445	-	24,445
Due to customers	(207,386)	-	(207,386)
Net OPEB obligation	10,754	-	10,754
Compensated absences	(11,399)	-	(11,399)
Customer deposits	119,915	-	119,915
Total adjustments	2,136,340	1,207	2,137,547
<b>Net cash provided by operating activities</b>	<b>\$ 1,680,814</b>	<b>\$ 479,270</b>	<b>\$ 2,160,084</b>
<b>Noncash capital and related financing activities:</b>			
Acquisition of capital assets through contributions from property owners, developers and other governments	\$ 220,644	\$ -	\$ 220,644

*The accompanying notes are an integral part of this financial statement.*

## City of Groveland, Florida Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Groveland, Florida (the “City”), was incorporated in 1923 under the provisions of the Special Acts of 1923 of the State of Florida, Chapter 9764. The current City Code authorizes the following services: public safety, public utilities, public works (including roads and streets), planning and zoning, sanitation, parks and recreation, community redevelopment, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to government units. The more significant accounting policies used by the City are described below.

#### **A. Reporting entity**

The City is a municipal corporation governed by an elected mayor and five-member governing council (council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The City has no discretely presented component units.

#### ***Blended component unit***

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 and the City has operational responsibility for the Fund.

#### **B. Government-wide and fund financial statements**

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

## City of Groveland, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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 proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement focus, basis of accounting and financial statement presentation

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

## City of Groveland, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary funds are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

#### ***Government-wide financial statements***

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions 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.

#### ***Fund financial statements***

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

The government reports the following major governmental funds:

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

The *community redevelopment agency fund* accounts for the resources accumulated and payments made for the rehabilitation, conservation and/or redevelopment of the Community Redevelopment Area. The Community Redevelopment Agency fund is presented separately as a major fund, which is also in compliance with Florida Statute 163.387. This fund receives special incremental ad-valorem tax levies to pay for rehabilitation and redevelopment of the specified area in need of improvement to sustain the tax base.

The *impact fee fund* is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes for capital projects.

The *building services fund* is used to account for the proceeds of specific revenue sources, licenses and permits, that are restricted to expenditures specific use of the building department.

## City of Groveland, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major enterprise funds:

The *water and sewer system fund* accounts 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 service to the general public on an ongoing basis are financed primarily through user charges.

The *sanitation services fund* accounts for the fiscal activities of the City's refuse collection and disposal operation.

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

#### D. 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.

## City of Groveland, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
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.

#### ***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. Additionally, the City does not budget for noncash capital lease financing transactions, which are required to be reported under GAAP as other financing sources and expenditures.

#### ***Excess of expenditures over appropriations***

For the year ended September 30, 2019, expenditures exceeded appropriations for the public safety function of the building services fund by \$628,408. Further, the budgeted excess of expenditures over revenues for the general fund for fiscal year 2020 was in excess of the actual carryforward of fund balance. As a result, only \$379,686 of the \$2,818,381 of the budgeted use of carryforward funds was available to be assigned for subsequent years expenditures at September 30, 2019.

### **E. Assets, liabilities, and net position or equity**

#### **1. Cash and cash equivalents**

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.

#### **2. Investments**

Investments for the government are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). The State Treasurer's Investment Pool meets all of the specified criteria in Section 150: *Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the City's position in the pool is equal to the value of the pooled shares.

## City of Groveland, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3. Receivables and payables

**Allowance for doubtful accounts** – Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 120 days are subject to being considered as uncollectible.

#### 4. Interfund activities and transactions

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

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

#### 5. Prepaid items

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

#### 6. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. For infrastructure assets the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$50,000 are reported as capital assets.

## City of Groveland, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	40
Improvements other than buildings	25 - 40
Water and sewer systems	25 - 40
Machinery and equipment	5 - 15

#### 7. Categories and classification of fund equity

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

**Fund balance flow assumptions** – Sometimes the government 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 government’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.

**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).

## City of Groveland, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The provisions of Section 1800: *Classification and Terminology* of the GASB Codification, specifies the following classifications:

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

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

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

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

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

**Fund balance reserve** – The City adopted Ordinance 2013-08-07 creating a fund balance reserve. For the general fund, the reserve is the sinking fund in committed fund balance. The reserve is calculated as 15% of the expenditures less capital outlay budgeted for the next fiscal year. For the enterprise funds, the reserve is 20% of the expenditures, less capital outlay, budgeted for the next fiscal year. The reserve for the enterprise funds as of September 30, 2019 is \$1,349,037.

## City of Groveland, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 8. Revenues and expenditures/expenses

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

**Property taxes** – Property taxes attach as an enforceable lien on real property and are levied as of July 1st. The tax levy is divided into two billings: the first billing (mailed on July 1) is an estimate of the current year's levy based on the prior year's taxes; the second billing (mailed on January 1) reflects adjustments to the current year's actual levy. The billings are considered past due 30 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

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

**Sick Leave:** Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

**Proprietary funds operating and non-operating revenues and expenses** – Proprietary funds distinguish operating revenues and expenses from non-operating 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 water and sewer system fund and the sanitation services fund are charges to customers for sales and services. The water and sewer system fund also recognizes as operating revenue the portion of tap 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 non-operating revenues and expenses.

#### 9. Long Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB 65, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

## City of Groveland, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### 10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

#### 11. Recently issued and implemented accounting pronouncements

In fiscal year 2019, the City has implemented GASB. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of the GASB Statement were effective for the year ended September 30, 2018 (See Note 2). This pronouncement required the restatement of the September 30, 2018 net position in the statement of governmental activities. This change is in accordance with generally accepted accounting principles. The cumulative effect of the change is illustrated in Note 2.

The City has implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this statement is to provide for the measurement and accounting of legally enforceable liabilities associated with the retirement of tangible capital assets. Additional information can be found in Note 6.

The City has implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The implementation of this statement did not result in any change in the City's financial statements. GASB Statement No. 88 requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to the financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. Additional information can be found in Note 3E.

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

## City of Groveland, Florida Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The government is evaluating the requirements of the above statements and the impact on reporting.

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 2: RESTATEMENT OF BEGINNING BALANCES**

The City determined they are required to provide access to participation in the City's health insurance program to retirees and hired an actuary to estimate the liability for other post-employment benefits. The City did not record discounts they had received in previous years from its health insurance vendor. As such, expenses were overstated and cash was understated in previous years. In addition, receivables and revenue for revenue received after year-end were previously understated.

	Government-wide Statements		
	Governmental Activities	Business-type Activities	Total
Net position, September 30, 2018, as previously reported	\$ 27,266,542	\$ 40,954,152	\$ 68,220,694
Cumulative effect of application of GASBS 75	(623,683)	(131,603)	(755,286)
Cumulative health insurance discounts	89,021	-	89,021
Cumulative effect in applying the accrual recognition of intergovernmental, franchise fees, and utility tax revenues	551,186	-	551,186
<b>Beginning net position, as restated</b>	<b>\$ 27,283,066</b>	<b>\$ 40,822,549</b>	<b>\$ 68,105,615</b>

	General Fund	Water and Sewer Fund
Fund balance/net position, September 30, 2018, as previously reported	\$ 17,285,481	\$ 40,244,242
Cumulative effect of application of GASBS 75	-	(131,603)
Cumulative health insurance discounts	89,021	-
Cumulative effect in applying the modified-accrual of recognition of intergovernmental, franchise fees, and utility tax revenues	551,186	-
<b>Beginning fund balance/net position, as restated</b>	<b>\$ 17,925,688</b>	<b>\$ 40,112,639</b>

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

As of September 30, 2019, \$500,000 of the City's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

The investment program is established in accordance with the City's investment policy, pertinent bond resolutions and Section 218.45, Florida Statutes, which allows the City to invest in the Florida State Board of Administration intergovernmental investment pool or any intergovernmental investment pool

## City of Groveland, Florida Notes to Financial Statements

### Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

authorized pursuant to the Florida Interlocal Cooperation Act of 1969, direct obligations of the United States Government, obligations of the different agencies of the Federal Government, registered money market funds and accounts of state qualified public depositories.

The investing of public funds with the Florida State Board of Administration (SBA) - Local Government Surplus Funds Trust Fund is governed by Section 218.407, Florida Statutes. The SBA is under regulatory oversight of the State of Florida. The investment pool consists largely of corporate notes and commercial paper. On September 30, 2019, the City had \$253,596 invested. The fair value of the City's position in the pool is equal to the value of the pooled shares or net asset value.

The Florida Surplus Asset Fund Trust (Florida SAFE) is a common law trust organized under the laws of the State of Florida as an intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01 of the Florida Statutes. The investment pool consists of obligations guaranteed by the full faith and credit of the United States, U.S. government agency obligations, commercial paper, bank obligations and other obligations permitted by applicable Florida Statutes. At September 30, 2019, the City's share of Florida SAFE was \$7,266,638. The fair value of the City's position in the pool is equal to the value of the pooled shares or net asset value.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City's access to 100 percent of their account value in either external investment pool.

Deposits available within various funds were consolidated for investment purposes. Interest earned was allocated to the various funds based on their average cash and investment balances.

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

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City's investment policy limits interest rate risk by requiring that an attempt be made to match investment maturities with known cash needs and anticipated cash flow requirements. In addition, investments of current operating funds are required to have maturities of no longer than twelve months.

## City of Groveland, Florida Notes to Financial Statements

### Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Credit risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The City’s investment policy limits investments to securities with specific ranking criteria.

Concentration risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The City’s investment policy does not address concentration risk.

Fair Value – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

As of September 30, 2019, the City did not hold any investments which met the criteria set forth in GASB Codification Section 3100 and would be required to be classified within the fair value hierarchy. At September 30, 2019, the City has the following investments:

Investment type	Fair Value	Weighted Average to Maturity	Rating	Agency
Primary government:				
Certificates of Deposit	\$ 2,281,112	-	Not rated	Not rated
SBA (Florida PRIME)	253,596	37 days	AAAm	S&P
Florida SAFE Stable NAV Fund	7,266,638	60 days	AAAm	S&P
<b>Total primary government</b>	<b>\$ 9,801,346</b>			

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019.

The fair values of the Local Government Investment Pool's (LGIP) are equal to the value of the pool shares. The investments in the LGIP's are not insured by FDIC or any other governmental agency. The LGIP's follow GASB Statement No. 79 and value all securities at amortized cost, which approximate fair value, in an attempt to maintain a constant net asset value (NAV) of \$1 per share.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**B. Accounts receivable**

For the water and sewer system and sanitation services, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to September 30, 2019 (unbilled receivable), is estimated and accrued at year end. The City deems all amounts collectable therefore an allowance for doubtful accounts is not necessary. If payments are not received from customers, services are shut off and deposits are applied against negative balances.

All account receivables are shown net of allowances for uncollectable accounts for governmental funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2019, were as follows:

	Accounts Receivable	Allowance for Uncollectible	Net
General Fund	\$ 222,704	\$ -	\$ 222,704
Enterprise Funds:			
Wastewater System Fund	451,529	(65,760)	385,769
Sanitation Services Fund	113,733	-	113,733
<b>Totals</b>	<b>\$ 787,966</b>	<b>\$ (65,760)</b>	<b>\$ 722,206</b>

Property taxes are considered fully collected (96% of the levy) during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are receivable as of September 30, 2019. There are no other reserves for receivables recorded by the City as of September 30, 2019.

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets**

The following is a summary of changes in capital assets during the year ended September 30, 2019:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 7,884,780	\$ -	\$ -	\$ 7,884,780
Construction-in-progress	486,876	1,946,208	-	2,433,084
<b>Total capital assets, not being depreciated</b>	<b>8,371,656</b>	<b>1,946,208</b>	<b>-</b>	<b>10,317,864</b>
Capital assets, being depreciated:				
Buildings	1,973,669	59,544	-	2,033,213
Improvements/infrastructure	10,420,171	755,504	-	11,175,675
Machinery and equipment	6,211,208	776,136	-	6,987,344
<b>Total capital assets, being depreciated</b>	<b>18,605,048</b>	<b>1,591,184</b>	<b>-</b>	<b>20,196,232</b>
Less accumulated depreciation for:				
Buildings	(1,204,490)	(73,005)	-	(1,277,495)
Improvements/infrastructure	(6,471,129)	(358,851)	-	(6,829,980)
Machinery and equipment	(3,770,896)	(747,460)	-	(4,518,356)
<b>Total accumulated depreciation</b>	<b>(11,446,515)</b>	<b>(1,179,316)</b>	<b>-</b>	<b>(12,625,831)</b>
<b>Total capital assets, being depreciated, net</b>	<b>7,158,533</b>	<b>411,868</b>	<b>-</b>	<b>7,570,401</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 15,530,189</b>	<b>\$ 2,358,076</b>	<b>\$ -</b>	<b>\$ 17,888,265</b>

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (continued)**

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,160,332	\$ -	\$ -	\$ 1,160,332
Construction-in-progress	105,574	369,735	(41,477)	433,832
<b>Total capital assets, not being depreciated</b>	<b>1,265,906</b>	<b>369,735</b>	<b>(41,477)</b>	<b>1,594,164</b>
Capital assets, being depreciated:				
Buildings and improvements	3,436,854	519,230	(2,559,148)	1,396,936
Water system	16,126,237	334,400	(410,288)	16,050,349
Sewer system	33,383,945	411,624	20,739	33,816,308
Reclaimed water system	3,943,170	102,211	2,990,174	7,035,555
Machinery and equipment	2,327,715	29,411	-	2,357,126
<b>Total capital assets, being depreciated</b>	<b>59,217,921</b>	<b>1,396,876</b>	<b>41,477</b>	<b>60,656,274</b>
Less accumulated depreciation for:				
Buildings and improvements	(442,910)	(16,206)	176,788	(282,328)
Water system	(5,963,938)	(717,792)	(1,474)	(6,683,204)
Sewer system	(11,530,415)	(817,644)	-	(12,348,059)
Reclaimed water system	(433,313)	(419,864)	(175,314)	(1,028,491)
Machinery and equipment	(1,555,862)	(150,206)	-	(1,706,068)
<b>Total accumulated depreciation</b>	<b>(19,926,438)</b>	<b>(2,121,712)</b>	<b>-</b>	<b>(22,048,150)</b>
<b>Total capital assets, being depreciated, net</b>	<b>39,291,483</b>	<b>(724,836)</b>	<b>41,477</b>	<b>38,608,124</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 40,557,389</b>	<b>\$ (355,101)</b>	<b>\$ -</b>	<b>\$ 40,202,288</b>

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

Governmental activities:	
General government (infrastructure)	\$ 75,579
Public safety	616,855
Roads and streets	305,971
Parks and recreation	164,332
Community development	16,579
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,179,316</b>
Business-type activities:	
Water and sewer system	\$ 2,121,712
<b>Total depreciation expense - business-type activities</b>	<b>\$ 2,121,712</b>

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Leases**

**Governmental Activities**

The general fund is the lessee of a capital lease for the acquisition of a fire truck, various vehicles, and computer equipment. Future minimum payments on these leases are as follows:

<i>Year ending September 30,</i>		
2020	\$	204,958
2021		187,403
2022		184,669
Total minimum lease payments		577,030
Less amount representing interest		(72,323)
Present value of net minimum lease payments		\$ 504,707

**Business-Type Activities**

The water and sewer system fund is the lessee of capital leases for the acquisition of various vehicles and computer equipment. Future minimum payments on these leases are as follow:

<i>Year ending September 30,</i>		
2020	\$	40,993
2021		23,775
2022		21,992
2023		6,730
Total minimum lease payments		93,490
Less amount representing interest		(10,649)
Present value of net minimum lease payments		\$ 82,841

The assets acquired through capital leases are as follow:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Machinery and equipment	\$ 2,429,659	\$ 359,493
Less accumulated depreciation	(1,345,945)	(213,792)
Total capital assets, net	\$ 1,083,714	\$ 145,701

## City of Groveland, Florida Notes to Financial Statements

### Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

#### E. Long-term debt and liabilities

##### Wastewater System Bonds

The City issues revenue bonds to pay the costs of constructing certain capital projects and to refund all or a portion of previously issued revenue bonds. The bonds are secured by and payable from the gross revenues of the City's water and sewer system. The bond resolutions provide that revenues in excess of debt service requirements may be used for general operating purposes. Debt service sinking fund requirements, where applicable, on outstanding bonds have been met or exceeded, in accordance with the bond resolutions.

On May 23, 2007, the City issued \$4,309,000 Water and Sewer Revenue Bond, Series 2007A. These bonds were sold to finance the City's cost of construction and improvements to the City's Sampey Wastewater Treatment Plant, and related costs of issuance. The Series 2007A bonds bear interest at 4.125% per annum, payable on September 1, 2007, and annually thereafter on the first day of September each year through 2046. The outstanding principal was \$3,598,933 as of September 30, 2019.

On June 6, 2007, the City issued \$1,939,000 Water and Sewer Revenue Bond, Series 2007B. These bonds were sold to finance the City's cost of construction and improvements to the City's Sampey Wastewater Treatment Plant, and related costs of issuance. The Series 2007B bonds bear interest at 4.125% per annum, payable on September 1, 2007, and annually thereafter on the first day of September of each year through 2046. The outstanding principal was \$1,619,478 as of September 30, 2019.

##### Notes payable

On May 6, 2015, the City borrowed \$2,172,700 through a local bank for the purpose of refunding all of the City's outstanding Capital Improvement Revenue Refunding Note, Series 2012A. The Capital Improvement Revenue Refunding Note, Series 2015 bears interest of 1.35%. Commencing October 1, 2015, payments are due semiannually each April 1 and October 1 until the 2015 Note has been paid in full. The note matures on October 1, 2019 and is secured with a pledge of Public Services Tax Revenues, the Half-Cent Sales Tax Revenues, and the Franchise Fees Revenues collected by the City. Interest of \$8,957 was paid on this note during the year ended September 30, 2019. As of September 30, 2019, the principal outstanding on the note was \$267,200.

On August 30, 2017, the City borrowed \$4,500,000 through a local bank for the purpose of constructing a public safety complex and related capital improvements. The Capital Improvement Revenue Note, Series 2017 bears interest of 2.15%. Commencing April 1, 2018, payments are due semiannually each April 1 and October 1 until April 1, 2027. The note is secured with a pledge of Public Services Tax Revenues, the Half-Cent Sales Tax Revenues, and the Franchise Fees Revenues collected by the City. Interest of \$96,750 was paid on this note during the year ended September 30, 2019. As of September 30, 2019, the principal outstanding on the note was \$4,500,000.

On July 24, 2018, the City entered into an interlocal agreement for emergency network radios to benefit and continue the county-wide communication system in place. The purchase price and closing costs amounted to \$421,716. Commencing October 31, 2018, payments of \$48,680, including interest of 2.89%, are due annually each October 15<sup>th</sup> through 2027.

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long-term debt and liabilities (continued)**

The City borrowed \$1,355,015 under the State of Florida Revolving Fund Program under a small community pre-construction loan contract for the construction of a reclaimed water project. The effective interest rate for the funds borrowed under the program is 1.58% for the original award and 1.22% for the amended amount. Pursuant to the contract, semi-annual payments consisting of principal and interest in the amount of \$44,609, with a final payment due on September 15, 2024, commenced September 15, 2004. Interest of \$11,968 was paid on this note during the year ended September 30, 2019. As of September 30, 2019, the principal outstanding on the note was \$417,056.

On March 30, 2016, the City borrowed \$1,927,000, \$5,000,000, and \$2,000,000 through Water and Sewer Revenue Note, Series 2016A, 2016B, and 2016C, respectively. Note 2016A was issued for the purpose of providing the City funds to retire on the date of issuance all of the City's refunded bonds. The note bears interest of 2.55% and matures on September 1, 2030. As of September 30, 2019, the remaining principal outstanding on the note was \$1,521,000. Note 2016B was issued for the purpose of providing the City funds to pay costs of acquisition and construction of improvements to the facilities. The note bears interest of 2.55% and matures on September 1, 2030. As of September 30, 2019, the remaining principal outstanding on the note was \$3,973,000. Note 2016C was issued for the purpose of providing the City funds to pay for improvements to the facilities. The note bears interest of 1.80% and matured on March 1, 2018. During the fiscal year ended September 30, 2018, the outstanding principal was fully satisfied, leaving no amount owed as of September 30, 2019.

The following is a summary of governmental activities notes payable for the year ended September 30, 2019:

<i>Year ending September 30,</i>	Governmental Activities							
	Capital Improvement Note Series 2015		Capital Improvement Note Series 2017		Note - Lake County		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 267,200	\$ 1,804	\$ 289,000	\$ 96,750	\$ 36,861	\$ 11,819	\$ 593,061	\$ 110,373
2021	-	-	564,000	90,537	37,498	11,182	601,498	101,719
2022	-	-	576,000	78,411	38,768	9,912	614,768	88,323
2023	-	-	588,000	66,027	40,050	8,630	628,050	74,657
2024	-	-	601,000	53,385	41,374	7,306	642,374	60,691
2025-2029	-	-	614,000	81,507	179,614	15,104	793,614	96,611
2030-2034	-	-	1,268,000	-	-	-	1,268,000	-
<b>Total</b>	<b>267,200</b>	<b>1,804</b>	<b>4,500,000</b>	<b>466,617</b>	<b>374,165</b>	<b>63,953</b>	<b>5,141,365</b>	<b>532,374</b>
<b>Current portion</b>	<b>(267,200)</b>	<b>(1,804)</b>	<b>(289,000)</b>	<b>(96,750)</b>	<b>(36,861)</b>	<b>(11,819)</b>	<b>(593,061)</b>	<b>(110,373)</b>
<b>Payable after one year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,211,000</b>	<b>\$ 369,867</b>	<b>\$ 337,304</b>	<b>\$ 52,134</b>	<b>\$ 4,548,304</b>	<b>\$ 422,001</b>

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long-term debt and liabilities (continued)**

The following is a summary of business-type activities notes payable for the year ended September 30, 2019:

Year ending September 30,	Business-type Activities							
	Wastewater System - SRF		Refunding Series 2016 A & B		Bonds Payable 2007 A & B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 79,208	\$5,005	\$ 455,000	\$141,746	\$ 108,804	\$ 219,376	\$ 643,012	\$ 366,127
2021	81,217	4,000	466,000	130,007	113,292	214,802	660,509	348,809
2022	83,277	2,970	478,000	117,984	117,965	210,040	679,242	330,994
2023	85,390	1,913	491,000	105,652	122,831	205,080	699,221	312,645
2024	87,964	800	503,000	92,984	127,898	199,917	718,862	293,701
2025-2029	-	-	2,583,000	265,200	723,117	914,358	3,306,117	1,179,558
2030-2034	-	-	518,000	13,364	885,083	749,295	1,403,083	762,659
2035-2039	-	-	-	-	1,083,326	547,261	1,083,326	547,261
2040-2044	-	-	-	-	1,325,971	299,975	1,325,971	299,975
2045-2046	-	-	-	-	610,123	38,732	610,123	38,732
<b>Total</b>	<b>417,056</b>	<b>14,688</b>	<b>5,494,000</b>	<b>866,937</b>	<b>5,218,410</b>	<b>3,598,836</b>	<b>11,129,466</b>	<b>4,480,461</b>
Current portion	(79,208)	(5,005)	(455,000)	(141,746)	(108,804)	(219,376)	(643,012)	(366,127)
Payable after one year	\$337,848	\$9,683	\$5,039,000	\$725,191	\$5,109,606	\$3,379,460	\$10,486,454	\$4,114,334

**Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
<b>Notes payable:</b>					
Capital Improvement Note Series 2015	\$ 795,200	\$ -	\$ (528,000)	\$ 267,200	\$ 267,200
Capital Improvement Note Series 2017	4,500,000	-	-	4,500,000	289,000
Note - Lake County	-	421,716	(47,551)	374,165	36,861
<b>Total notes from direct borrowings</b>	<b>5,295,200</b>	<b>421,716</b>	<b>(575,551)</b>	<b>5,141,365</b>	<b>593,061</b>
Other postemployment benefits	623,683	50,964	-	674,647	111
Compensated absences	512,179	692,856	(677,470)	527,565	31,196
Capital leases	1,057,939	-	(553,232)	504,707	168,996
<b>Governmental activity long-term liabilities</b>	<b>\$ 7,489,001</b>	<b>\$ 1,165,536</b>	<b>\$ (1,806,253)</b>	<b>\$ 6,848,284</b>	<b>\$ 793,364</b>

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long-term debt and liabilities (continued)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
State Revolving Loan	\$ 494,305	\$ -	\$ (77,249)	\$ 417,056	\$ 79,208
Refunding Series 2016 A & B	5,938,000	-	(444,000)	5,494,000	455,000
Total notes from direct borrowings	6,432,305	-	(521,249)	5,911,056	534,208
<b>Bonds payable:</b>					
Water & Sewer Revenue					
Bonds, Series 2007 A & B	5,322,904	-	(104,494)	5,218,410	108,804
Total bonds payable	5,322,904	-	(104,494)	5,218,410	108,804
<b>Other postemployment benefits</b>					
benefits	131,603	10,754	-	142,357	23
Compensated absences	89,001	128,584	(139,960)	77,625	59,376
Capital leases	162,179	-	(79,338)	82,841	35,542
Business-type activity long-term liabilities	\$ 12,137,992	\$ 139,338	\$ (845,041)	\$ 11,432,289	\$ 737,953

Compensated absences, other postemployment benefits and the net pension liability will be liquidated in future periods primarily by the General Fund for governmental activities. Business-type activities compensated absences will be liquidated by the respective proprietary fund.

**Pledged revenues**

The City has revenue notes outstanding at September 30, 2019, for which revenues of the City have been pledged for repayment. Revenues pledged to repay these obligations are as follows:

	Amount Issued	Future Principal and Interest	Current Pledged Revenue	Current Year Principal and Interest	Current Percentage of Revenue
<b>Governmental Activities:</b>					
<b>Revenue Notes:</b>					
Capital Improvement Revenue					
Refunding Note, Series 2015					
Maturity: 2019					
Interest rate: 1.35%	\$ 2,172,700	\$ -	N/A	\$ 269,004	N/A
Purpose: Refund outstanding					
Capital Improvement Revenue					
Refunding Note, Series 2012A					
Pledged revenue: Public Service Tax					
Revenues, Half-Cent Sales Tax					
Revenues and Franchise Fees					
Revenues					

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long-term debt and liabilities (continued)**

Capital Improvement Revenue					
Note, Series 2017					
Maturity: 2027					
Interest rate: 2.15%	\$ 4,500,000	\$ 4,966,617	\$ 3,229,935	\$ 385,750	11.9%
Purpose: Construction of public safety complex and related capital improvements					
Pledged revenue: Public Service Tax Revenues, Half-Cent Sales Tax Revenues, Franchise Fees Revenues and amounts on deposit in the Debt Service Fund					

**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 Statues. 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, 2019, Niagara had a credit of \$71,201, which is reported as Due to Customer in the financial statements.

**F. Interfund receivables, payables and transfers**

Operating Transfers	Transfers		Net
	In	Out	
Major Funds:			
General Fund	\$ -	\$ (7,272,267)	\$ (7,272,267)
Building Services Fund	3,259,316	-	3,259,316
Impact Fee Fund	8,290,527	(519,230)	7,771,297
Water and Sewer System Fund	565,849	(4,324,195)	(3,758,346)
Sanitation Fund	-	-	-
<b>Total</b>	<b>\$ 12,115,692</b>	<b>\$ (12,115,692)</b>	<b>\$ -</b>

The transfers from the General Fund and Water and Sewer System Fund to the Building Services Fund and Impact Fee Fund were to move reserve balances to set up the new funds. provides reimbursement for budgeted capital improvements within the redevelopment district. The transfers from the General Fund to the Water and Sewer System Fund were to use discretionary sales surtax on a water line replacement project.

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Net investment in capital assets**

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	\$ 17,888,265	\$ 40,202,288	\$ 58,090,553
Contracts and retainage payable	(259,390)	-	(259,390)
Outstanding debt related to capital assets	(5,646,072)	(11,212,307)	(16,858,379)
<b>Net investment in capital assets</b>	<b>\$ 11,982,803</b>	<b>\$ 28,989,981</b>	<b>\$ 40,972,784</b>

**H. 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, 2019, there were 97 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.

In October 2018, the City Council approved the adoption of the City of Groveland, Florida 401(a) Retirement Plan. At September 30, 2019, there were 118 participants. The City is required to contribute 4% of eligible compensation and match 100% of employee contributions up to 3% of total eligible compensation. Employee contributions to the existing 457 plan are eligible for matching in the 401(a) plan. Only employees in certain managerial positions are eligible to participate in the plan.

The City's contributions to the plans were \$514,816 for the fiscal year ended September 30, 2019.

**I. Post-employment benefits other than pensions (OPEB)**

The City follows Section P52: *Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria* of the GASB Codification (GASBC P52) for certain postemployment health care benefits provided by the City.

*Plan description.* The OPEB plan is a single-employer benefit plan administered by the City. Medical insurance benefits are provided to employees and their eligible dependents through an employee group medical insurance plan. In accordance with Section 112.0801 of the Florida Statutes, because the City provides a medical plan to active employees and their eligible dependents, the City is also required to provide retirees with the opportunity to participate in this insurance. Benefit provisions for the insurance are established and may be amended by the City Council. The retirees pay the full group premium amount for health insurance with no explicit subsidy from the City.

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Post-employment benefits other than pensions (OPEB) (continued)**

*Funding policy.* Contribution rates for the insurance are established on an annual basis. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute toward the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate, which includes active employees constitutes a significant economic benefit to retirees, or an OPEB obligation of the City. The City is currently funding this OPEB obligation on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses. OPEB liabilities are liquidated by the respective funds that are obligated for the related costs. For governmental activities, OPEB liabilities are generally liquidated by the general fund. For the year ended September 30, 2019, the City estimated it subsidized \$134 of medical costs for its retirees and their covered dependents.

As of September 30, 2019, no trust has been established for the other postemployment benefits.

*Plan membership.* At October 1, 2018, OPEB membership consisted of the following:

	Number of Covered Individuals
Inactive members currently receiving benefits	-
Inactive members entitled to but not yet receiving benefits	-
Active members	113
Total	113

*Actuarial assumptions and other inputs.* The total OPEB liability in the September 30, 2019 actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.00 % projected annual salary increase
Discount rate	3.00 % investment rate of return
Health care cost trend rates	8.00 % trending down to 5.00%

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Post-employment benefits other than pensions (OPEB) (continued)**

The actuarial assumptions included an annual healthcare cost trend rate of 8.00% initially, reduced by decrements of 0.50% to an ultimate rate of 5.00% after two years. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The October 1, 2018 actuarial valuation included changes in assumptions for the discount rate and in the health care cost trend rates. The methods, assumptions, and participant data used are detailed in the actuarial valuation report dated October 1, 2018. These calculations are based on the Entry Age Normal cost method required by GASBC P52.

At September 30, 2019, the City reported a total OPEB liability of \$817,004. The other postemployment benefit information has been provided as of the September 30, 2019 measurement date.

		Increase (Decrease)
		Total OPEB
Change in total OPEB liability		Liability
Balance, at September 30, 2018	\$	755,286
Service cost		39,195
Expected interest growth		22,657
Benefit payments		(134)
Net changes		61,718
Balance, at September 30, 2019	\$	817,004

*Sensitivity of the OPEB liability.* The following presents the City's OPEB liability as if it were calculated using a discount rate that is one percentage point lower or higher than the current discount rate:

	1% Decrease	Current	1% Increase
	(2.00%)	Discount Rate	(4.00%)
		(3.00%)	
Net OPEB Liability	\$ 1,248,152	\$ 817,004	\$ 500,593

The following presents the City's total OPEB liability as if it were calculated using a trend rate that is one percentage-point lower or higher than the current trend rate:

	1% Decrease	Ultimate Trend	1% Increase
	(7.00%)	(8.00%)	(9.00%)
Net OPEB Liability	\$ 549,595	\$ 817,004	\$ 1,231,882

**City of Groveland, Florida**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**I. Post-employment benefits other than pensions (OPEB) (continued)**

*OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.* For the fiscal year ended September 30, 2019, the City recognized an OPEB expense of \$61,852. At September 30, 2019, the City did not report any deferred outflows and deferred inflows of resources.

**Note 4: RISK MANAGEMENT**

The City is a member of Public Risk Management of Florida (the pool), a local government liability risk pool. 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, 2019. The cost of the insurance is allocated among the appropriate departments and funds.

**Note 5: 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, 2019. 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.

The City is the lessee of the premises located at 101 E. Broad Street, Groveland, Florida and various office equipment. Future minimum payments of these leases are as follows:

<i>For the year ending September 30,</i>	
2020	\$ 23,320
Total	\$ 23,320

The City has \$2,396,973 of construction commitments outstanding as of September 30, 2019.

## **City of Groveland, Florida** **Notes to Financial Statements**

### **Note 6: ASSET RETIREMENT OBLIGATIONS**

Asset retirement obligations generally apply to legal obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction, or development and the normal operation of a long-lived asset. The City assesses asset retirement obligations on a periodic basis. If a reasonable estimate of fair value can be made, the fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred or a change in estimate occurs.

The City operates a wastewater treatment plant, which is regulated by the Florida Department of Environmental Protection, and requires certain cleanup and remediation activities if use of the wastewater treatment plant is discontinued. The City Plans ongoing refurbishment to the plant as needed and has no plans to discontinue use of the plant. As such, the City is not able to readily estimate the fair value of the liability for discontinuing use of the plant, and has not recorded an asset retirement obligation for this asset.

### **Note 7: TAX ABATEMENTS**

The City enters into property tax abatement agreements with new or expanding businesses under the Economic Development Ad Valorem Tax Exemption Program authorized by Groveland City Code, Chapter 25, and Section 166.021(9) Florida Statutes. Under the program, the City grants 100% property tax abatements from one to 10 years to attract or retain businesses, which contribute to the economy of the City with new jobs and improvements to real and personal property. The program criteria scores applications on the number of employees, average payroll, capital investment, and additional high economic impact factors such as capital investments over \$25 million, the purchase and use of local materials goods and services to be utilized in the construction or expansion of facilities, providing healthcare, daycare and other benefits to the employees. Benefitting businesses are required to file an annual performance report on the anniversary date of the execution of the performance agreement to verify compliance with the terms and conditions of the Performance Agreement.

For the fiscal year ending September 30, 2019, the City paid impact fees on behalf a new business totaling \$331,877.

### **Note 8: RECLASSIFICATIONS**

Certain amounts on the September 30, 2018 financial statements have been reclassified to be consistent with the September 30, 2019 presentation.

## City of Groveland, Florida Notes to Financial Statements

### Note 9: SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, broad domestic and international stock market indices have declined and the City's fair value of investments has declined similarly. Such declines in the fair value of investments held by the City may materially and adversely impact the City's ability to achieve its investment objectives and therefore, its operational objectives. In addition, the extent to which these events will affect the amounts reported in future financial statements remains uncertain.

Commencing October 2019, the City entered into a purchase agreement with Palisades FL, LLC for a real property for \$2,300,000.

Section 553.80(7)(a) of Florida Statutes has been updated to limit the amount of unexpended building permit funds carried forward to future fiscal years to no more than the City's average operating budget for enforcing the Florida Building Code for the previous four (4) fiscal years. A local government must use any funds in excess of this limitation to rebate or reduce fees. The City's unexpended building permit funds at September 30, 2019 exceeded the City's average operating budget for enforcing the Florida Building Code for the previous four (4) fiscal years by \$1,478,144. In order to comply with Section 553.80(7)(a) of Florida Statutes, the City issued refunds to property owners in November 2019.

Effective October 1, 2019, the City entered into a contract for the management, operation and maintenance of the water and wastewater treatment facilities. The term of the contract is five (5) years, ending on September 30, 2024 with the option to renew at the City's discretion. Compensation will be paid on the cost-plus-fixed-fee method limited to the amount set forth in the annual budget. For fiscal year 2020, this limit is \$3,189,853.



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**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**



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**City of Groveland, Florida**  
**Required Other Post-employment Benefits Supplementary Information**  
**Schedules of Changes in Total OPEB Liability and Related Ratios**  
**– Last Fiscal Year**

<i>September 30,</i>	2019
<b>Total OPEB Liability - beginning</b>	\$ 755,286
Changes due to:	
Service cost	39,195
Interest	22,657
Benefit payments	(134)
Net changes in total OPEB liability	61,718
<b>Total OPEB Liability - ending (a)</b>	<b>\$ 817,004</b>
<b>Plan fiduciary net position (b)</b>	<b>\$ -</b>
<b>OPEB liability - ending (a) - (b)</b>	<b>\$ 817,004</b>
Covered-employee payroll for measurement period	\$ 5,831,221
OPEB liability as a percentage of covered-employee payroll	14.01%

Notes to schedule:

<sup>(1)</sup> The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Pensions*, in 2019. The employer must eventually disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.

<sup>(2)</sup> The following discount rate was used in each period:  
9/30/2019 - 3.00%

**City of Groveland, Florida**  
**Budgetary Comparison Schedule – General Fund**

<i>For the year ended September 30, 2019</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,241,299	\$ 4,241,299	\$ 3,869,071	\$ (372,228)
Franchise and utility taxes	1,953,150	1,953,150	2,276,730	323,580
License and permits	88,190	88,190	111,926	23,736
Intergovernmental	3,459,069	3,459,069	3,480,006	20,937
Charges for services	892,140	892,140	870,954	(21,186)
Fines and forfeitures	94,610	94,610	66,729	(27,881)
Investment income	237,410	237,410	222,046	(15,364)
Miscellaneous revenue	55,040	55,040	84,296	29,256
Total revenues	11,020,908	11,020,908	10,981,758	(39,150)
<b>EXPENDITURES</b>				
General government	2,364,044	3,009,483	2,446,191	563,292
Public safety	12,734,379	12,120,468	7,123,145	4,997,323
Roads and streets	1,744,465	1,665,801	1,001,611	664,190
Parks and recreation	1,054,733	1,285,770	1,186,863	98,907
Debt service:				
Principal	521,000	521,000	1,128,783	(607,783)
Interest and fiscal charges	113,740	113,740	139,124	(25,384)
Total expenditures	18,532,361	18,716,262	13,025,717	5,690,545
<b>Excess (deficit) of revenues over expenditures</b>	<b>(7,511,453)</b>	<b>(7,695,354)</b>	<b>(2,043,959)</b>	<b>5,651,395</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	600,000	600,000	-	(600,000)
Transfers out	-	-	(7,272,267)	(7,272,267)
Loan proceeds	4,500,000	4,500,000	421,716	(4,078,284)
Proceeds from sale of assets	-	-	775,661	775,661
Total other financing sources	5,100,000	5,100,000	(6,074,890)	(11,174,890)
<b>Net change in fund balance</b>	<b>(2,411,453)</b>	<b>(2,595,354)</b>	<b>(8,118,849)</b>	<b>(5,523,495)</b>
<b>Fund balance, beginning of the year as previously reported</b>	<b>17,285,481</b>	<b>17,285,481</b>	<b>17,285,481</b>	<b>-</b>
<b>Prior period adjustment (See Note 2)</b>	<b>640,207</b>	<b>640,207</b>	<b>640,207</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$15,514,235</b>	<b>\$15,330,334</b>	<b>\$ 9,806,839</b>	<b>\$ (5,523,495)</b>

Note that this schedule is prepared on a budgetary basis, but it is not different from Generally Accepted Accounting Principles (GAAP) in presentation.

**City of Groveland, Florida**

**Budgetary Comparison Schedule – Community Redevelopment Agency**

<i>For the year ended September 30, 2019</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 522,875	\$ 522,875	\$ 535,331	\$ 12,456
Miscellaneous revenue	28,500	28,500	55,900	27,400
<b>Total revenues</b>	<b>551,375</b>	<b>551,375</b>	<b>591,231</b>	<b>39,856</b>
<b>EXPENDITURES</b>				
Community development	1,031,738	1,031,738	740,581	291,157
<b>Total expenditures</b>	<b>1,031,738</b>	<b>1,031,738</b>	<b>740,581</b>	<b>291,157</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(480,363)</b>	<b>(480,363)</b>	<b>(149,350)</b>	<b>331,013</b>
<b>Net change in fund balance</b>	<b>(480,363)</b>	<b>(480,363)</b>	<b>(149,350)</b>	<b>331,013</b>
<b>Fund balance, beginning of year</b>	<b>800,847</b>	<b>800,847</b>	<b>800,847</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 320,484</b>	<b>\$ 320,484</b>	<b>\$ 651,497</b>	<b>\$ 331,013</b>

Note that this schedule is prepared on a budgetary basis, but it is not different from Generally Accepted Accounting Principles (GAAP) in presentation.

**City of Groveland, Florida**  
**Budgetary Comparison Schedule – Building Services Fund**

<i>For the year ended September 30, 2019</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Licenses and permits	\$ 3,008,907	\$ 3,008,907	\$ 2,184,650	\$ (824,257)
Investment earnings	-	-	58,643	58,643
<b>Total revenues</b>	<b>3,008,907</b>	<b>3,008,907</b>	<b>2,243,293</b>	<b>(765,614)</b>
<b>EXPENDITURES</b>				
Public safety	1,432,606	1,732,005	2,360,413	(628,408)
<b>Total expenditures</b>	<b>1,432,606</b>	<b>1,732,005</b>	<b>2,360,413</b>	<b>(628,408)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,576,301</b>	<b>1,276,902</b>	<b>(117,120)</b>	<b>(1,394,022)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	3,259,316	3,259,316
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>3,259,316</b>	<b>3,259,316</b>
<b>Net change in fund balance</b>	<b>1,576,301</b>	<b>1,276,902</b>	<b>3,142,196</b>	<b>1,865,294</b>
<b>Fund balance, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 1,576,301</b>	<b>\$ 1,276,902</b>	<b>\$ 3,142,196</b>	<b>\$ 1,865,294</b>

Note that this schedule is prepared on a budgetary basis, but it is not different from Generally Accepted Accounting Principles (GAAP) in presentation.



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

To the City Council  
City of Groveland, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Groveland, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Groveland, Florida's basic financial statements and have issued our report thereon dated July 27, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Groveland, Florida'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, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Groveland, Florida's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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 over compliance, 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. We consider the deficiencies described below as IC 2019- 001, IC 2019-002, IC 2019-003, IC 2019-004, IC 2019-006 to be material weaknesses.

*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. We consider the deficiency described below as IC 2019-005 to be a significant deficiency.

### **IC 2019-001 REVENUE RECOGNITION – *Material Weakness***

Criteria: The National Council on Governmental Accounting (NCGA) Statement No. 1, *Governmental Accounting and Financial Reporting Principles*, establishes the standard for the modified-accrual recognition of revenues and other financial resource increments in governmental funds. It states that revenues should be recognized in the accounting period in which they become both measurable and available.

Condition: The City did not report tax and other revenue from the State on the modified accrual basis creating a material understatement in amounts due from other governments in the City's financial statements. Additionally, the City underestimated the receivable amount for franchise fees as of September 30, 2018 and as of September 30, 2019.

Cause: The City did not have proper cutoff between periods regarding receivables, including amounts due from other governments, and revenue recognition pursuant to NCGA Statement No. 1 and GASB Statement No. 33.

Effect: The prior year's due from other governments and accounts receivable were understated by \$516,634 and \$34,552, respectively, resulting in a prior period adjustment. Current year due from other governments and accounts receivable were understated by \$569,248 and \$57,698, respectively.

Recommendation: We recommend management review that all receivables that are measurable and available are properly recorded at the end of the year.

Management's Response: *Based on our previous audits and reviews of revenues, the City was recognizing 12 months' worth of revenues. As a result, there was not perceived to be an issue with our revenue recognition. However through discussions with CRI, we concur with their analysis on the revenues and will be reviewing the amounts due from the State and other sources to concur with proper reporting.*

### **IC 2019-002 BUILDING PERMITS – *Material Weakness***

Criteria: Building permit fees should be charged in accordance with Resolution 2019-59 adopted by the City Council.

Condition: The City overcharged for residential building permits due to a rate entry error.

Cause: Building permit rates were not reviewed when rate changes were entered into the system.

Effect: Building permit rates may be entered in error resulting in a charge different than that adopted by the City Council. A liability was recorded in the current year in the amount of \$636,739 for the overages that were refunded in November 2019.

Recommendation: We recommend a person independent of the person who entered the rates into the system review the changes to building permit fees for accuracy and compliance with City Code.

Management's Response: *This is an issue which was discovered prior to the audit starting and caused the refund to builders. Our Building Services Manager discovered the initial error and proceeded to make the corrections in the TrackIt system and calculate the value of the error. We have repaid all the overcharges and are reviewing the building permit fees to insure compliance with the approved resolutions.*

### **IC 2019-003 BANK RECONCILIATIONS – *Material Weakness***

Criteria: The City should reconcile its cash balances to the bank reconciliation after year-end closing entries. The reconciliation should be reviewed by someone independent of the preparer.

Condition: Cash recorded in the trial balances did not agree to the City's bank reconciliations as of September 30, 2019. Check issued after year-end were netted against cash balances.

Cause: Payments issued after year-end were included in the listing of outstanding checks. This is partially due to difficulties in the use of the accounting software.

Effect: Prior to adjustment, cash was understated as accounts payable, accrued payroll, and health insurance discounts were reported as reconciling items on the bank reconciliation in the amount of \$1,410,096, \$124,511, and \$89,201, respectively.

Recommendation: We recommend that after year-end closing entries are made, the bank reconciliation be checked against the trial balance to ensure that the balances still agree.

Management's Response: *This is an issue which did not affect the period net position and is created by our current financial system. The master bank reconciliation which we complete does take these items into consideration. The system records both checks and accounts payable entries as leaving in the same accounting period even if the check period is after accounting period. Going forward, we will make a corresponding entry which will properly record the amount of outstanding Accounts Payable and Cash.*

### **IC 2019-004 CAPITAL ASSETS – *Material Weakness***

Criteria: The listing of capital assets in the capital asset subsidiary ledger should agree to amounts reported in the general ledger and capital asset activity should be reconciled to the subsidiary ledger.

Condition: The City's capital assets as recorded in the general ledger did not reconcile to the subsidiary ledger. Additionally, donated assets (capital contributions) were not recorded in the City's general ledger or subsidiary ledger.

Cause: As a result of turnover in personnel in prior years and difficulties in generating reports from the capital asset subsidiary ledger, a reconciliation was not completed and reviewed.

Effect: Improvements other than buildings and related accumulated depreciation for governmental activities in the amount of \$408,584 were removed from the subsidiary ledger, but the disposal was not recorded in the City's general ledger. There are fully depreciated assets in the subsidiary ledger that may no longer be in service. Additionally, there are assets in the subsidiary ledger that may have been previously disposed of by the City.

Recommendation: We recommend that during the preparation of the capital asset roll-forward that the subsidiary listing is reviewed for accuracy and additions are reconciled to underlying records.

Management's Response: *The capital asset module of our financial system has issues generating reports which are easily reviewed and compared in total. This is an area which we will be doing an extensive review of the subsidiary ledger so that we can verify all items in the ledger and have a better system for generating necessary audit reports. This is a project which we will be initiating and will be completed prior to the next audit.*

## **IC 2019-005 CENSUS DATA – Significant Deficiency**

Criteria: Census data is provided to the actuaries in order for other postemployment benefit liabilities to be determined.

Condition: During census data testing for other post-employment benefits, it was noted that two of the sixty employees had the incorrect date of birth and seven out of the sixty employees selected for testing had the incorrect date of hire.

Cause: Census data was not reviewed for accuracy prior to being transmitted to the actuary.

Effect: In the current year, there was no impact on the actuary's valuation; however, if there are enough errors in the data transmitted it could result in an inaccurate actuarial valuation.

Recommendation: We recommend that the City establish a procedure to review census data for accuracy prior to submission to the actuary.

Management's Response: *The employees in question had all started 3 years ago or later. The Finance Department will work with Human Resources to conduct a review of all the Census Data which is being kept in our payroll system. The errors in question were found when comparing the payroll system to the HR employee file. With this we will also have a system of checks to verify that new employees are entered into the system accurately and would be correct for reports generated to the actuary.*

## **IC 2019-006 OTHER POST-EMPLOYMENT BENEFITS – Material Weakness**

Criteria: Under Florida Statute 112.0801 *Group insurance; participation by retired employees*, any municipality that provides life, health, accident, hospitalization, or annuity insurance, or all of any kinds of such insurance, for its officers and employees and their dependents upon a group insurance plan or self-insurance plan shall allow all former personnel who retired before October 1, 1987, as well as those who retire on or after such date, and their eligible dependents, the option of continuing to participate in the group insurance plan or self-insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees.

Condition: The City did not previously did not record the liability and related deferred inflows and outflows for OPEB as required under Florida Statute 112.0801.

Cause: Misinterpretation of Florida Statutes.

Effect: The other post-employment benefits obligation was understated by \$623,683 and \$131,603 for governmental activities and the Water and Sewer Fund, respectively.

Recommendation: The City should obtain an actuarial estimate of the effect of the implicit rate subsidy to determine the City's liability for OPEB.

Management's Response: *This is an error which is the result of the misinterpretation of F.S. 112.0801. Generally a City would have a plan to reimburse retirees for medical coverage or similar benefit to create an OPEB liability; however, this statute has already created a liability for all cities. This item wasn't brought up until our initial opening audit conversations with our new auditors and review of the specific statute. We concur that the City is subject to this and did have an actuary review all the information to estimate our liability. Going forward, we will continue to monitor changes to this statute and ensuring our compliance with all the appropriate requirements.*

## **Compliance and Other Matters**

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

## **City of Groveland, Florida's Responses to Findings**

The City of Groveland, Florida's responses to the findings identified in our audit are described above. The City of Groveland, Florida's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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 result 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.

*Carly Riggs & Ingram, L.L.C.*

Melbourne, Florida  
July 27, 2020



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**INDEPENDENT AUDITORS’ MANAGEMENT LETTER**

The Honorable Mayor and City Council  
 City of Groveland, Florida

**Report on the Financial Statements**

We have audited the financial statements of the City of Groveland, Florida (the “City”) as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated July 27, 2020.

**Auditors’ Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants’ Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated July 27, 2020, should be considered in conjunction with this management letter.

**Prior Audit Findings**

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

Prior Year Management Letter Comments:\*

ML 18-1 Controls Over Long-Term Obligations	Corrected
ML 18-2 Use of Purchase Orders in Accordance with Purchasing Policy	Corrected

\* The findings listed above originated in the fiscal year 2018 audit.

## Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of the City of Groveland, Florida and its component unit is disclosed in the footnotes.

The City of Groveland, Florida includes the following component units:

Component Unit	Established by:
City of Groveland Community Redevelopment Agency	City Ordinance

## Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City of Groveland, Florida met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City of 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.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Groveland, Florida. 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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have the following recommendations.

### ML 2019-001 TRAVEL EXPENSES

Criteria: Florida Statute 112.061(7)(d)1 establishes the use of privately owned vehicles for official travel in lieu of publicly owned vehicles or common carriers may be authorized by the agency head or his or her designee. Whenever travel is by privately owned vehicle, a traveler shall be entitled to a mileage allowance at a rate of 44.5 cents per mile. The City has elected to follow provisions of Section 112.061, Florida Statutes when approving travel expenses.

Condition: The City reimbursed an employee for travel expenses using the wrong mileage rate.

Cause: Review was not performed in sufficient detail to identify the error.

Effect: The employee was reimbursed at a rate of 54.5 cents per mile. The total amount of the overpayment was \$17.70.

Recommendation: Supporting documentation should be reviewed in sufficient detail along with the business travel policy adopted by City Council.

Management's Response: *The expense report in question was an old form which had the incorrect mileage rate for reimbursement on it. Although there were others which had the incorrect rate on it, this one was missed in correcting the reimbursement rate. During FY2019, the City reviewed our travel policy to make it simpler and to standardize the forms for reimbursement. As a result, the City adopted the IRS*

*reimbursement rates for mileage which that expense report was paid on. The updated policy has already been implemented and staff has been trained to review per the updated policy.*

## **ML 2019-002 BUDGET COMPLIANCE**

Criteria: The City's legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is defined by the City as being at the department level. The City Council is required to approval all adjustments to the budget above the department level. The City Manager is authorized to make shifts in appropriations within the department, so long as total appropriations for the department are not changed. According to Florida Statute 166.241, *Municipalities*, the amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total appropriations for expenditures and reserves.

Condition: The Building Service Fund had an over-expenditure in the public safety department of \$628,408. Additionally, the budgeted excess of expenditures over revenues in the fiscal year 2020 budget exceeded reserves in the General Fund by \$2,438,695 (See Note 1.D.).

Cause: The over-expenditure in the Building Service Fund was the result of an audit adjustment in the amount of \$636,739. The budgeted excess of expenditures over revenues in the fiscal year 2020 budget was the result of the 2020 budget document not distinguishing the use of carryforward funds between restricted and unrestricted funds.

Effect: The City was out of compliance with its policy and Florida Statutes.

Recommendation: We recommend the City implement procedures to ensure that all cash and accrual transactions are entered into the general ledger on a timely basis. This will ensure internal financial reports are complete and accurate and therefore can be used to compare actual to budgeted appropriations to ensure compliance with the City's policy and with Florida Statutes.

Management's Response: *As noted by the auditors, the over-expenditure in the Building Service Fund was the result of an audit adjustment to accrued \$636,739 for the refund of building permit overcharges; the City had included these refunds in the fiscal year 2020 budget. Regarding the shortfall in the fiscal year 2020 budget, as noted above, this was due to the restricted carryforward funds being combined with the unrestricted carryforward funds. The fiscal year 2020 budget will be amended to clarify the allocation of carryforward funds between restricted and unrestricted funds.*

### **Additional Matters**

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

### **Purpose of this Letter**

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

*Carly Riggs & Ingram, L.L.C.*

Melbourne, Florida  
July 27, 2020



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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL  
GOVERNMENT INVESTMENT POLICIES**

The Honorable Mayor and City Council  
City of Groveland, Florida

We have examined the City of Groveland, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2019. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City's complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City's complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019.

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

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

Melbourne, Florida  
July 27, 2020