

**CITY OF
GROVELAND,
FLORIDA**

**ANNUAL
FINANCIAL REPORT**

Year Ended September 30, 2017

INTRODUCTORY SECTION

CITY OF GROVELAND, FLORIDA
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2017

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CITY OF GROVELAND, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2017

ELECTED OFFICIALS

Mayor	Dina Sweatt
Vice-Mayor	Mike Radzik
City Council Members:	Tim Loucks Mike Smith John Griffin

CITY OFFICIALS

City Manager	Mike Hein
Interim Finance Director	David Dyer
City Clerk	Virginia Wright
Legal Counsel	Anita Geraci-Carver
Public Works Director	James Huish
Chief of Police	Shawn Ramsey
Fire Chief	William M. Morgan, Jr.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the *City of Groveland, Florida (the City)*, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and community redevelopment agency fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MCDIRMIT DAVIS & COMPANY, LLC

934 North Magnolia Avenue, Suite 100 Orlando, Florida 32803

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of State Financial Assistance, as required by the audit requirements of Chapter 10.550, *Rules of The Auditor General*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 3, 2018 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McDiernit Davis & Company, LLC

Orlando, Florida
July 3, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Groveland, we offer readers of the City of Groveland's financial statements this narrative overview and analysis of the financial activities of the City of Groveland for the fiscal year ended September 30, 2017.

Financial Highlights

- The assets of the City of Groveland exceeded its liabilities at the close of the most recent fiscal year by \$58,700,064 (net position). Of this amount, \$4,179,765 (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 \$5,895,047 or 11.1%.
- As of the close of the current fiscal year, the City of Groveland's governmental funds reported combined ending fund balances of \$15,586,651, with \$500,932 in unassigned fund balance. Total unrestricted fund balance, which includes amounts assigned and committed by City Council, is \$3,382,421, or 34.7% of total general fund expenditures.
- The City of Groveland's total debt increased by \$1,475,493 (7.8%) during the current fiscal year. All required debt service payments were made.

Overview of the Financial Statements

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Government-wide financial statements. (Continued)

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

The government-wide financial statements include only the City of Groveland itself (known as the *primary government*) and one blended component unit (The City of Groveland Community Redevelopment Fund).

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Groveland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Groveland can be divided into two categories: governmental funds and proprietary funds.

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

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

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

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

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

Government-wide Financial Analysis

Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Groveland, assets exceeded liabilities by \$58,700,064 at the close of the most recent fiscal year.

Of the City of Groveland's net position, \$43,476,407 (or 74.1%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related outstanding debt used to acquire those assets. The City of Groveland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Groveland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position that is subject to external restrictions as to how it may be used totals \$11,043,892 (or 18.8%). The remaining balance of *unrestricted net position* \$4,179,765 (or 7.1 %) may be used to meet the government's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

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

City of Groveland Statement of Net Position As of September 30						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 18,460,035	\$ 9,672,151	14,946,190	\$ 16,238,300	\$ 33,406,225	\$ 25,910,451
Capital assets	13,471,734	13,816,587	37,803,814	33,885,008	51,275,548	47,701,595
Total assets	<u>31,931,769</u>	<u>23,488,738</u>	<u>52,750,004</u>	<u>50,123,308</u>	<u>84,681,773</u>	<u>73,612,046</u>
Liabilities:						
Current liabilities	3,005,190	822,250	2,217,094	884,590	5,222,284	1,706,840
Long term liabilities	6,972,129	3,427,475	13,787,296	15,672,714	20,759,425	19,100,189
Total liabilities	<u>9,977,319</u>	<u>4,249,725</u>	<u>16,004,390</u>	<u>16,557,304</u>	<u>25,981,709</u>	<u>20,807,029</u>
Net Position:						
Net investment in capital assets	11,314,438	10,706,822	32,161,969	26,776,173	43,476,407	37,482,995
Restricted	7,759,839	7,282,106	3,284,053	6,063,959	11,043,892	13,346,065
Unrestricted	2,880,173	1,250,085	1,299,592	725,872	4,179,765	1,975,957
Total net position	<u>\$ 21,954,450</u>	<u>\$ 19,239,013</u>	<u>\$ 36,745,614</u>	<u>\$ 33,566,004</u>	<u>\$ 58,700,064</u>	<u>\$ 52,805,017</u>

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

Note that the government's total net position increased by \$5,895,047 or 10.34% in fiscal year 2017.

Governmental activities increased by \$2,715,437 in fiscal year 2017 compared to an increase of \$1,907,174 in 2016. Revenues increased by \$1,428,305 from the previous year and total expenses increased by \$620,042, resulting in an overall improvement of \$808,263 from the prior year. Property taxes, utility taxes and intergovernmental revenues increased by \$822,488. On the expense side, general government and public safety expenses increased \$634,765.

Business-type activities increased net position by \$3,179,610 in fiscal year 2017 compared to an increase of \$1,195,463 in 2016. This is primarily a result of an increase in capital grants and contributions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

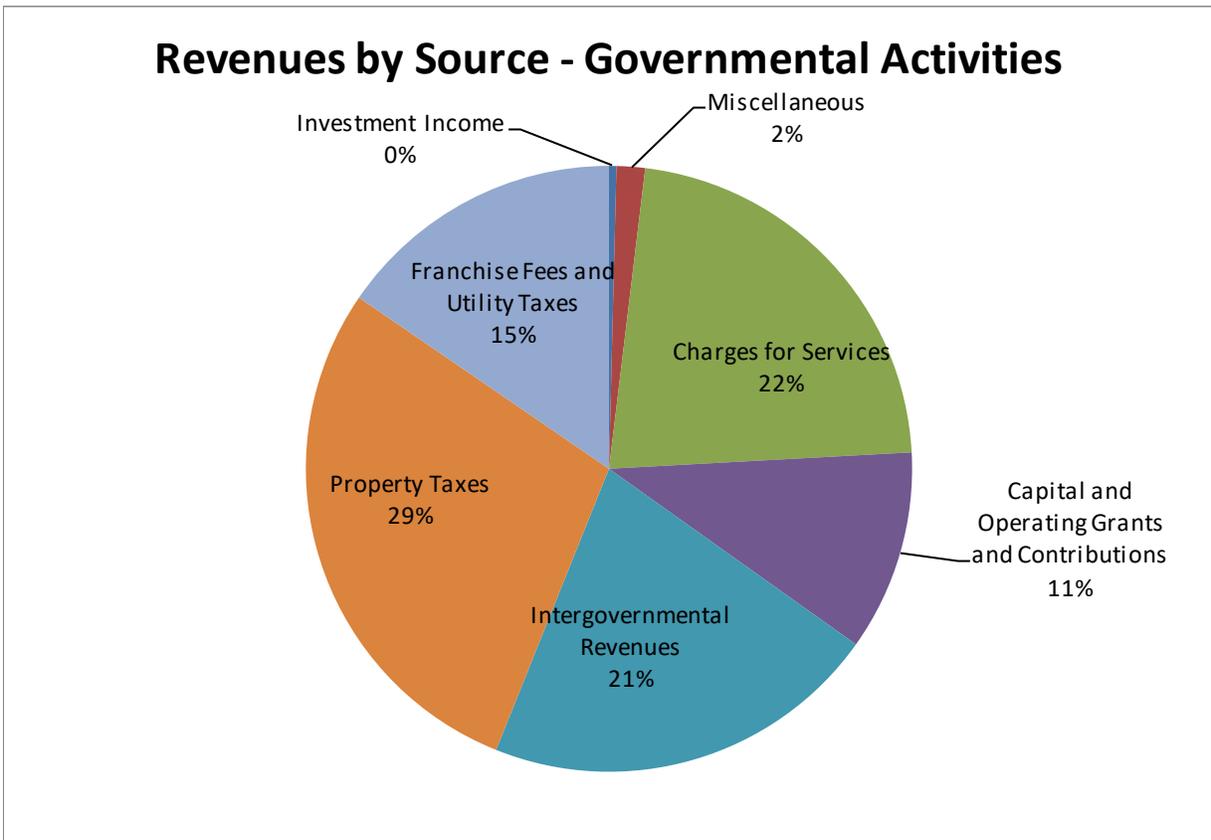
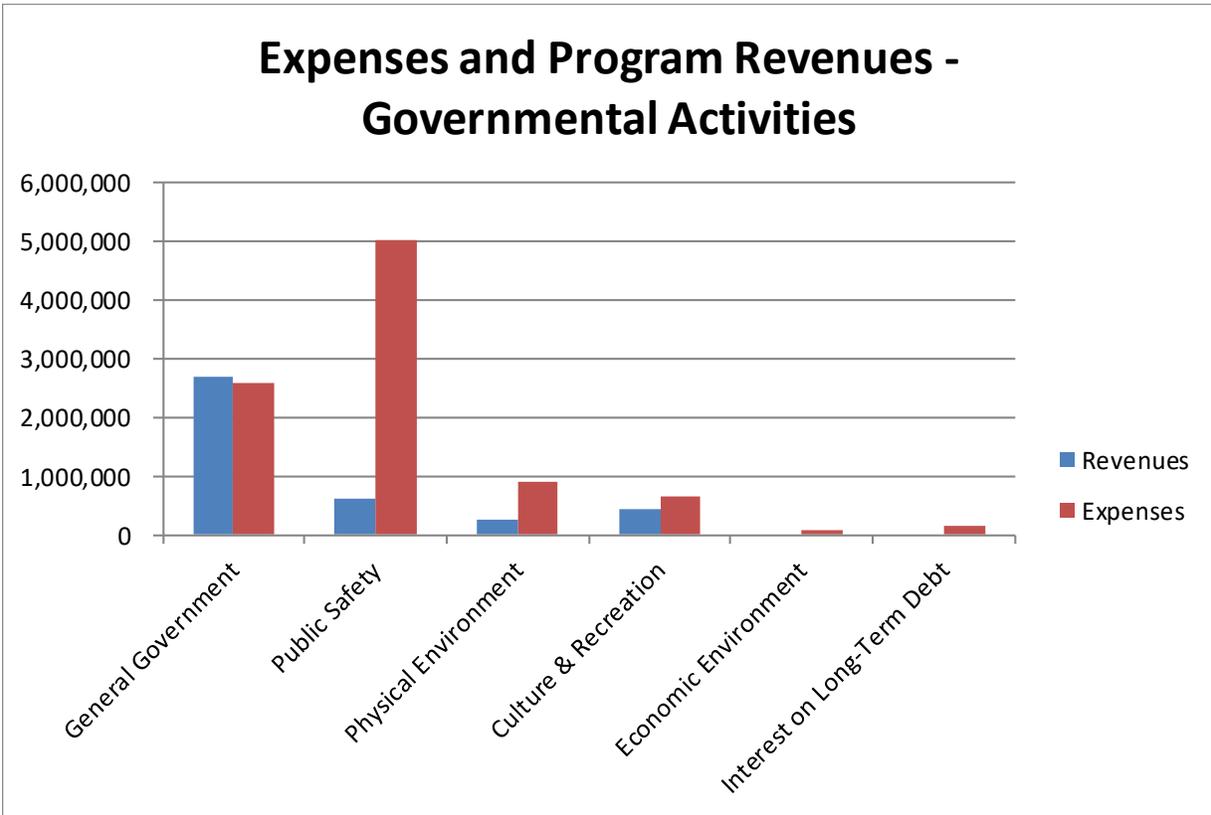
Government-Wide Financial Analysis (Continued)

Statement of activities (Continued)

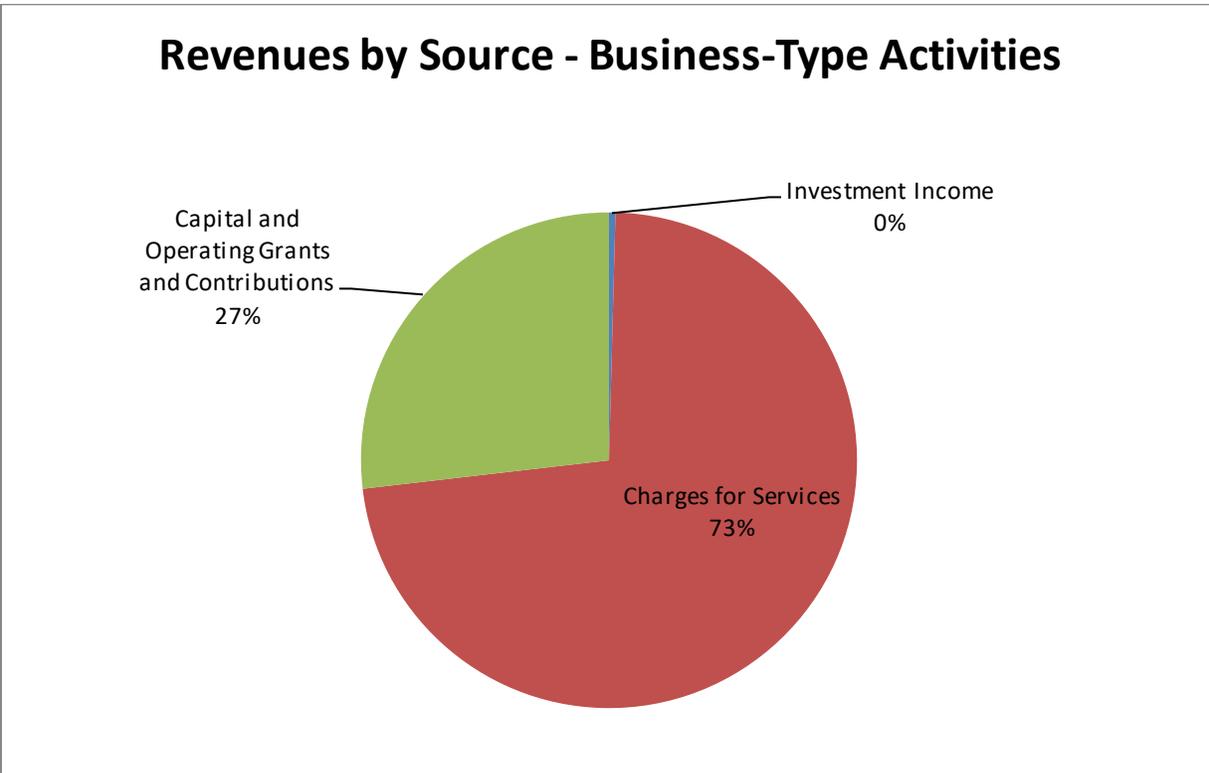
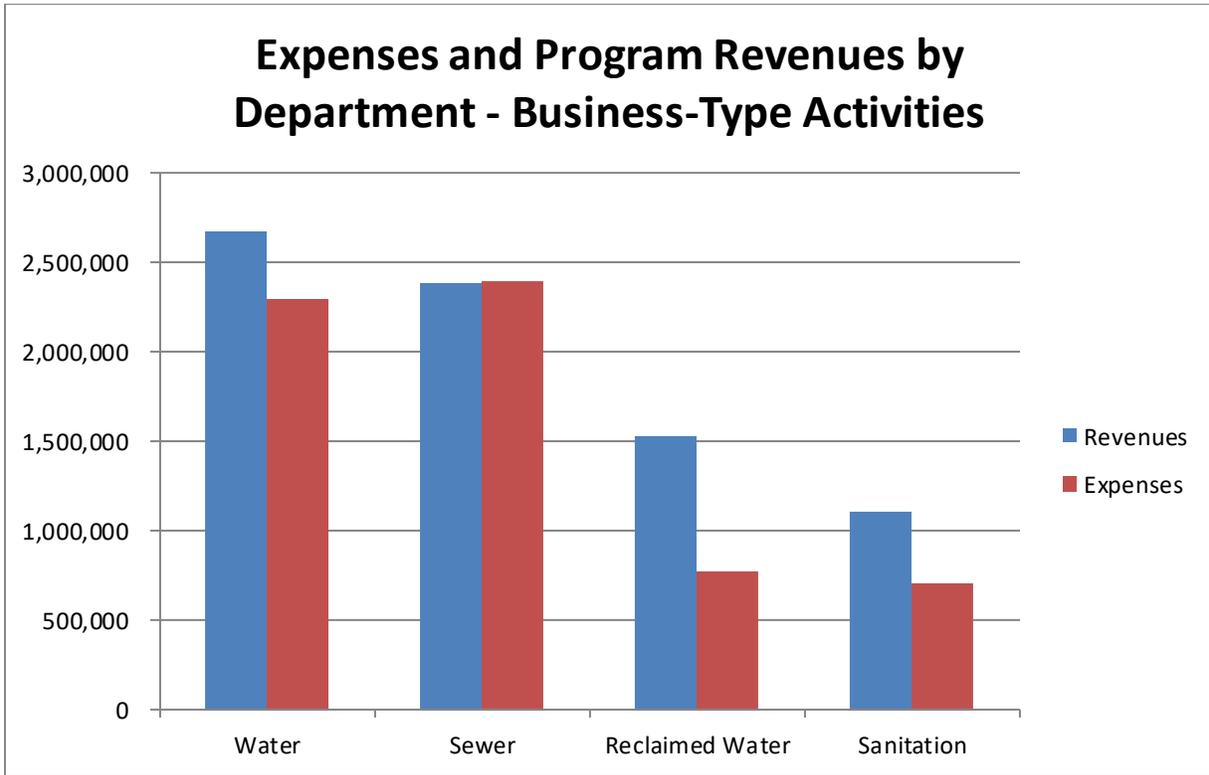
**City of Groveland
Changes in Net Position
For the Year Ended September 30**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 2,680,593	\$ 2,321,061	\$ 6,799,151	\$ 6,300,675	\$ 9,479,744	\$ 8,621,736
Operating grants & contributions	191,639	153,844	-	-	191,639	153,844
Capital grants and contributions	1,100,790	931,772	2,508,530	950,579	3,609,320	1,882,351
General Revenues:						
Property taxes	3,437,814	3,228,431	-	-	3,437,814	3,228,431
Utility taxes and franchise fees	1,862,112	1,759,217	-	-	1,862,112	1,759,217
Intergovernmental - unrestricted	2,560,740	2,050,530	-	-	2,560,740	2,050,530
Unrestricted investment earnings	47,529	35,094	39,121	12,818	86,650	47,912
Miscellaneous	183,436	156,399	-	-	183,436	156,399
Total revenues	12,064,653	10,636,348	9,346,802	7,264,072	21,411,455	17,900,420
Expenses:						
General government	2,582,522	2,280,735	-	-	2,582,522	2,280,735
Public safety	5,006,928	4,673,950	-	-	5,006,928	4,673,950
Physical environment	885,510	958,884	-	-	885,510	958,884
Culture and recreation	645,409	585,724	-	-	645,409	585,724
Economic Environment	93,095	144,837	-	-	93,095	144,837
Interest on long-term debt	135,752	85,044	-	-	135,752	85,044
Water and sewer	-	-	5,461,457	5,413,582	5,461,457	5,413,582
Sanitation	-	-	705,735	655,027	705,735	655,027
Total expenses	9,349,216	8,729,174	6,167,192	6,068,609	15,516,408	14,797,783
Increase in Net Position	2,715,437	1,907,174	3,179,610	1,195,463	5,895,047	3,102,637
Net Position - October 1	19,239,013	17,331,839	33,566,004	32,370,541	52,805,017	49,702,380
Net Position - September 30	\$ 21,954,450	\$ 19,239,013	\$ 36,745,614	\$ 33,566,004	\$ 58,700,064	\$ 52,805,017

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds

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

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

As of September 30, 2017, the City of Groveland's governmental funds reported combined ending fund balances of \$15,586,651, an increase of \$6,489,677 from the prior year. Unassigned fund balance (\$500,932) has increased, primarily due to increases in intergovernmental revenues. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed for such purposes as debt service, capital projects, community redevelopment, public safety, long term reserves, or appropriations for expenditure in 2018.

The general fund is the chief operating fund of the City of Groveland. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$500,932, while total fund balance was \$15,022,930. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represent 5% and 154% respectively, of total General Fund expenditures. General fund revenues increased \$1,422,211 over previous year and expenses increased \$631,266, resulting in an improvement of \$790,945 over 2016. The increase in 2017 is mainly due to increased property tax, building permit revenues, intergovernmental revenues and expenses were generally consistent. General fund balance increased \$6,270,697.

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

Unrestricted net position of the Water and Sewer Utility Fund at the end of the year amounted to \$524,684 and total net position increased \$2,778,804. Operating revenue increased by \$421,064 or 7.13%, and operating expenses increased by \$128,313 for a net operating result increase of \$292,751 and net operating income of \$688,943. The fund's change in net position was enhanced by impact fees of \$882,128 and grant revenues of \$1,626,402, which is the primary reason that the Water and Sewer Fund had an increase in net position of \$2,778,804.

Unrestricted net position of the Sanitation Fund at the end of the year amounted to \$774,908 in its second year of operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

General Fund Budgetary Highlights

During the year revenues were more than budgetary estimates by \$1,163,269, primarily due to higher than expected collections of licenses and permits \$760,162, franchise fees \$178,267, and intergovernmental revenues \$513,849. Expenditures were less than budgetary estimates by \$1,150,896 as a result of overall conservative spending by all departments and a delayed start to certain planned capital projects.

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

Capital Asset and Debt Administration

Capital assets. The City of Groveland's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$51,275,548 (net of accumulated depreciation), for an increase of \$3,573,953 from the prior year. This investment in capital assets includes land, buildings, water system, infrastructure, improvements and equipment. The total increase in the City of Groveland's investment in capital assets for the current fiscal year was 7.49% (a 2.50% decrease for governmental activities, and an 11.57% increase for business-type activities).

Major capital asset events included the following:

- Construction projects for parks that were finished during the year.
- Water, sewer and reclaimed water infrastructure upgrades, some of which are still in progress at year end and some of which were placed into service during the year.

Additional information on the City of Groveland's capital assets can be found in Note 6 on pages 37 - 38 of this report.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 8,692,105	\$ 8,692,105	\$ 1,160,332	\$ 1,160,332	\$ 9,852,437	\$ 9,852,437
Buildings	846,245	938,623	100,728	109,101	946,973	1,047,724
Improvements/Infrastructure	2,201,267	2,042,465	32,804,518	28,077,619	35,005,785	30,120,084
Machinery and Equipment	1,720,114	2,066,001	708,063	611,900	2,428,177	2,677,901
Construction in Progress	12,003	77,393	3,030,173	3,926,056	3,042,176	4,003,449
Total	\$ 13,471,734	\$ 13,816,587	\$ 37,803,814	\$ 33,885,008	\$ 51,275,548	\$ 47,701,595

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Administration (Continued)

Long-term debt. At September 30, 2017, the City of Groveland had total debt outstanding of \$20,311,381, an increase of \$1,475,493 from \$18,835,888 at September 30, 2016.

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

Additional information on the City of Groveland's long-term debt can be found in Notes 7 and 8 on pages 39-43 of this report.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenue Bonds, Series 2007	\$ -	\$ -	\$ 5,423,258	\$ 5,519,636	\$ 5,423,258	\$ 5,519,636
State Revolving Fund Loan	-	-	569,643	643,118	569,643	643,118
Water & Sewer Revenue Notes, Series 2016	-	-	7,120,000	8,789,000	7,120,000	8,789,000
Refunding Note, Series 2011	-	136,136	-	-	-	136,136
Revenue Refunding Note, Series 2015	1,316,200	1,831,200	-	-	1,316,200	1,831,200
Revenue Refunding Note, Series 2017	4,500,000	-	-	-	4,500,000	-
Capital Leases	785,487	1,142,429	160,212	213,678	945,699	1,356,107
Due to customer	-	-	436,581	560,691	436,581	560,691
Total	\$ 6,601,687	\$ 3,109,765	\$ 13,709,694	\$ 15,726,123	\$ 20,311,381	\$ 18,835,888

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF GROVELAND, FLORIDA

STATEMENT OF NET POSITION

September 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 11,557,543	\$ 2,135,570	\$ 13,693,113
Investments	6,700,250	2,853,027	9,553,277
Receivables, net	161,383	494,749	656,132
Due From Other Governments	-	442,330	442,330
Prepaid Costs	40,859	9,679	50,538
Restricted Assets:			
Cash and cash equivalents	-	9,010,835	9,010,835
Capital Assets (Not Being Depreciated)	8,704,108	4,190,505	12,894,613
Capital Assets (Being Depreciated Net of Accumulated Depreciation)	4,767,626	33,613,309	38,380,935
Total Assets	<u>31,931,769</u>	<u>52,750,004</u>	<u>84,681,773</u>
Liabilities:			
Accounts Payable and Other Current Liabilities	313,939	1,438,232	1,752,171
Accrued Liabilities	194,438	69,468	263,906
Accrued Interest Payable	41,506	44,593	86,099
Due to Other Governmental Agencies	2,365,007	-	2,365,007
Unearned Revenue	90,300	-	90,300
Customer Deposits Payable	-	664,801	664,801
Noncurrent Liabilities:			
Due within one year			
Due to customer	-	125,208	125,208
Compensated absences	31,771	8,958	40,729
Bonds, notes and capital leases	868,178	1,407,378	2,275,556
Due in more than one year			
Due to customer	-	311,373	311,373
Compensated absences	338,671	68,644	407,315
Bonds, notes and capital leases	5,733,509	11,865,735	17,599,244
Total liabilities	<u>9,977,319</u>	<u>16,004,390</u>	<u>25,981,709</u>
Net Position:			
Net Investment in Capital Assets	11,314,438	32,161,969	43,476,407
Restricted for:			
Debt service	-	716,260	716,260
System expansion	-	2,567,793	2,567,793
Community redevelopment	563,721	-	563,721
Infrastructure	2,485,417	-	2,485,417
Impact fees	2,695,085	-	2,695,085
Building department	1,962,034	-	1,962,034
Public safety	53,582	-	53,582
Unrestricted	2,880,173	1,299,592	4,179,765
Total net position	<u>\$ 21,954,450</u>	<u>\$ 36,745,614</u>	<u>\$ 58,700,064</u>

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

CITY OF GROVELAND, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 2,582,522	\$ 2,478,776	\$ -	\$ 192,836	\$ 89,090	\$ -	\$ 89,090
Public safety	5,006,928	193,547	-	417,715	(4,395,666)	-	(4,395,666)
Roads and streets	885,510	-	191,639	51,639	(642,232)	-	(642,232)
Parks and recreation	645,409	8,270	-	438,600	(198,539)	-	(198,539)
Community redevelopment	93,095	-	-	-	(93,095)	-	(93,095)
Interest on long-term debt	135,752	-	-	-	(135,752)	-	(135,752)
Total governmental activities	<u>9,349,216</u>	<u>2,680,593</u>	<u>191,639</u>	<u>1,100,790</u>	<u>(5,376,194)</u>	<u>-</u>	<u>(5,376,194)</u>
Business-type activities							
Water and sewer	5,461,457	5,692,610	-	2,508,530	-	2,739,683	2,739,683
Sanitation	705,735	1,106,541	-	-	-	400,806	400,806
Total business-type activities	<u>6,167,192</u>	<u>6,799,151</u>	<u>-</u>	<u>2,508,530</u>	<u>-</u>	<u>3,140,489</u>	<u>3,140,489</u>
Total primary government	<u>\$ 15,516,408</u>	<u>\$ 9,479,744</u>	<u>\$ 191,639</u>	<u>\$ 3,609,320</u>	<u>(5,376,194)</u>	<u>3,140,489</u>	<u>(2,235,705)</u>
General Revenues:							
Property taxes					3,437,814	-	3,437,814
Franchise fees and utility taxes					1,862,112	-	1,862,112
Intergovernmental-unrestricted					2,560,740	-	2,560,740
Unrestricted investment earnings					47,529	39,121	86,650
Miscellaneous					183,436	-	183,436
Total general revenues					<u>8,091,631</u>	<u>39,121</u>	<u>8,130,752</u>
Change in net position					2,715,437	3,179,610	5,895,047
Net Position - beginning					19,239,013	33,566,004	52,805,017
Net Position - ending					<u>\$ 21,954,450</u>	<u>\$ 36,745,614</u>	<u>\$ 58,700,064</u>

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

CITY OF GROVELAND, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2017

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 10,987,801	\$ 569,742	\$ 11,557,543
Investments	6,700,250	-	6,700,250
Receivables, net	161,383	-	161,383
Prepaid costs	40,458	401	40,859
Total assets	<u>\$ 17,889,892</u>	<u>\$ 570,143</u>	<u>\$ 18,460,035</u>
Liabilities and Fund Balances:			
Accounts payable	\$ 309,448	\$ 4,491	\$ 313,939
Accrued liabilities	192,507	1,931	194,438
Due to other governments	<u>2,365,007</u>	<u>-</u>	<u>2,365,007</u>
Total liabilities	<u>2,866,962</u>	<u>6,422</u>	<u>2,873,384</u>
Fund Balances:			
Spendable:			
Restricted	11,640,509	563,721	12,204,230
Committed	1,640,078	-	1,640,078
Assigned	1,241,411	-	1,241,411
Unassigned	<u>500,932</u>	<u>-</u>	<u>500,932</u>
Total fund balances	<u>15,022,930</u>	<u>563,721</u>	<u>15,586,651</u>
Total Liabilities and Fund Balances	<u>\$ 17,889,892</u>	<u>\$ 570,143</u>	

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	13,471,734
Accrued interest payable is not due in the current period and therefore is not reported in the funds.	(41,506)
Unearned revenue that when earned will not provide current financial resources is not reported in the funds.	(90,300)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(6,972,129)</u>
Net Position of Governmental Activities	<u>\$ 21,954,450</u>

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

CITY OF GROVELAND, FLORIDA

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

For the Year Ended September 30, 2017

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
Property taxes	\$ 3,038,520	\$ 399,294	\$ 3,437,814
Franchise and utility taxes	1,862,112	-	1,862,112
Licenses and permits	1,882,105	-	1,882,105
Intergovernmental revenues	2,945,215	-	2,945,215
Charges for services	607,577	-	607,577
Fines and forfeitures	190,911	-	190,911
Impact fees	800,454	-	800,454
Investment income	47,529	-	47,529
Miscellaneous	142,006	41,430	183,436
Total revenues	<u>11,516,429</u>	<u>440,724</u>	<u>11,957,153</u>
Expenditures:			
Current:			
General government	2,518,763	-	2,518,763
Public safety	4,662,782	-	4,662,782
Roads and streets	681,722	-	681,722
Community redevelopment	-	80,736	80,736
Parks and recreation	871,876	-	871,876
Debt service:			
Principal	868,616	139,462	1,008,078
Interest and fiscal charges	81,973	1,546	83,519
Note issuance costs	60,000	-	60,000
Total expenditures	<u>9,745,732</u>	<u>221,744</u>	<u>9,967,476</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,770,697</u>	<u>218,980</u>	<u>1,989,677</u>
Other Financing Sources (Uses):			
Issuance of note payable	<u>4,500,000</u>	-	<u>4,500,000</u>
Total Other Financing Sources (Uses)	<u>4,500,000</u>	-	<u>4,500,000</u>
Net Change in Fund Balances	6,270,697	218,980	6,489,677
Fund Balances - beginning	8,752,233	344,741	9,096,974
Fund Balances - ending	<u>\$ 15,022,930</u>	<u>\$ 563,721</u>	<u>\$ 15,586,651</u>

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

CITY OF GROVELAND, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2017

Net Change in Fund Balances - Total Governmental Funds: \$ 6,489,677

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

Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (280,016)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. (3,491,922)

Governmental funds report the entire net sales price (proceeds) or (loss) from sale of an asset as revenue or expense because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the net book value of the asset disposed. (64,837)

Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported in governmental funds. 107,500

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (44,965)

Change in net position of governmental activities: \$ 2,715,437

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

CITY OF GROVELAND, FLORIDA

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

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and impact fees	\$ 3,308,034	\$ 3,308,034	\$ 3,038,520	\$ (269,514)
Franchise and utility taxes	1,683,845	1,683,845	1,862,112	178,267
Licenses and permits	1,121,943	1,121,943	1,882,105	760,162
Intergovernmental revenues	2,431,366	2,431,366	2,945,215	513,849
Charges for services	549,370	549,370	607,577	58,207
Fines and forfeitures	223,002	223,002	190,911	(32,091)
Impact fees	925,600	925,600	800,454	(125,146)
Investment income	25,000	25,000	47,529	22,529
Miscellaneous	85,000	85,000	142,006	57,006
Total revenues	<u>10,353,160</u>	<u>10,353,160</u>	<u>11,516,429</u>	<u>1,163,269</u>
Expenditures:				
Current:				
General government	2,455,293	2,706,440	2,518,763	187,677
Public safety	5,813,328	5,386,061	4,662,782	723,279
Roads and streets	882,100	915,029	681,722	233,307
Parks and recreation	884,140	876,747	871,876	4,871
Debt Service:				
Principal	517,000	870,616	868,616	2,000
Interest	23,096	81,735	81,973	(238)
Note issuance costs	-	60,000	60,000	-
Total expenditures	<u>10,574,957</u>	<u>10,896,628</u>	<u>9,745,732</u>	<u>1,150,896</u>
Excess (deficiency) of revenues over expenditures	<u>(221,797)</u>	<u>(543,468)</u>	<u>1,770,697</u>	<u>2,314,165</u>
Other Financing Sources (Uses):				
Issuance of note payable	-	-	4,500,000	4,500,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,500,000</u>	<u>4,500,000</u>
Net Change in Fund Balance	(221,797)	(543,468)	6,270,697	6,814,165
Fund Balance - beginning	8,752,233	8,752,233	8,752,233	-
Fund Balance - ending	<u>\$ 8,530,436</u>	<u>\$ 8,208,765</u>	<u>\$ 15,022,930</u>	<u>\$ 6,814,165</u>

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

CITY OF GROVELAND, FLORIDA

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

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and impact fees	\$ 410,678	\$ 410,678	\$ 399,294	\$ (11,384)
Miscellaneous	21,000	21,000	41,430	20,430
Total revenues	<u>431,678</u>	<u>431,678</u>	<u>440,724</u>	<u>9,046</u>
Expenditures:				
Current:				
Community redevelopment	621,868	618,418	80,736	537,682
Debt Service:				
Principal	136,900	140,226	139,462	764
Interest	1,500	1,624	1,546	78
Total expenditures	<u>760,268</u>	<u>760,268</u>	<u>221,744</u>	<u>538,524</u>
Excess (deficiency) of revenues over expenditures	<u>(328,590)</u>	<u>(328,590)</u>	<u>218,980</u>	<u>547,570</u>
Net Change in Fund Balance	(328,590)	(328,590)	218,980	547,570
Fund Balance - beginning	344,741	344,741	344,741	-
Fund Balance - ending	<u>\$ 16,151</u>	<u>\$ 16,151</u>	<u>\$ 563,721</u>	<u>\$ 547,570</u>

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

CITY OF GROVELAND, FLORIDA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2017

	Water and Sewer Fund	Sanitation Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,396,442	\$ 738,572	\$ 2,135,014
Restricted cash	9,010,835	-	9,010,835
Investments	2,853,027	-	2,853,027
Receivables, net	404,359	90,390	494,749
Due from other governments	442,330	-	442,330
Prepaid Items	9,679	-	9,679
Total current assets	<u>14,116,672</u>	<u>828,962</u>	<u>14,945,634</u>
Noncurrent assets:			
Capital assets:			
Land	1,160,332	-	1,160,332
Infrastructure	49,234,595	-	49,234,595
Buildings and improvements	358,476	-	358,476
Equipment	2,122,745	-	2,122,745
Construction in progress	3,030,173	-	3,030,173
Less accumulated depreciation	<u>(18,102,507)</u>	<u>-</u>	<u>(18,102,507)</u>
Total capital assets (net of depreciation)	<u>37,803,814</u>	<u>-</u>	<u>37,803,814</u>
Total noncurrent assets	<u>37,803,814</u>	<u>-</u>	<u>37,803,814</u>
Total assets	<u>51,920,486</u>	<u>828,962</u>	<u>52,749,448</u>

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

	Water and Sewer Fund	Sanitation Fund	Total
Liabilities:			
Current Liabilities:			
Accounts payable	1,397,971	54,054	1,452,025
Accrued liabilities	55,119	-	55,119
Customer deposits payable	664,801	-	664,801
Accrued interest payable	44,593	-	44,593
Due to customer	125,208	-	125,208
Compensated absences	8,958	-	8,958
Capital lease payable	49,685	-	49,685
Notes payable	1,257,339	-	1,257,339
Bonds payable	100,354	-	100,354
Total current liabilities	<u>3,704,028</u>	<u>54,054</u>	<u>3,758,082</u>
Noncurrent liabilities:			
Due to customer	311,373	-	311,373
Compensated absences	68,644	-	68,644
Capital lease payable	110,527	-	110,527
Notes payable	6,432,304	-	6,432,304
Bonds payable	5,322,904	-	5,322,904
Total noncurrent liabilities	<u>12,245,752</u>	<u>-</u>	<u>12,245,752</u>
Total liabilities	<u>15,949,780</u>	<u>54,054</u>	<u>16,003,834</u>
Net Position:			
Net investment in capital assets	32,161,969	-	32,161,969
Restricted for debt service	716,260	-	716,260
Restricted for system expansion	2,567,793	-	2,567,793
Unrestricted	524,684	774,908	1,299,592
Total net position	<u>\$ 35,970,706</u>	<u>\$ 774,908</u>	<u>\$ 36,745,614</u>

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

CITY OF GROVELAND, FLORIDA

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

For the Year Ended September 30, 2017

	Water and Sewer Fund	Sanitation Fund	Total
Operating Revenues:			
Charges for services	\$ 5,661,459	\$ 1,106,541	\$ 6,768,000
Misc operating revenues	31,151	-	31,151
Total operating revenues	<u>5,692,610</u>	<u>1,106,541</u>	<u>6,799,151</u>
Operating Expenses:			
Personal services	1,502,845	-	1,502,845
Contract services	15,483	705,735	721,218
Utilities	415,550	-	415,550
Insurance claims and expenses	210,123	-	210,123
Depreciation and amortization	1,485,130	-	1,485,130
Other operating expenses	991,249	-	991,249
Repairs and maintenance	383,287	-	383,287
Total operating expenses	<u>5,003,667</u>	<u>705,735</u>	<u>5,709,402</u>
Operating income	<u>688,943</u>	<u>400,806</u>	<u>1,089,749</u>
Nonoperating Revenue (Expenses):			
Investment income	39,121	-	39,121
Interest expense	(455,091)	-	(455,091)
Loss on disposal of capital assets	(2,699)	-	(2,699)
Total nonoperating revenue (expenses)	<u>(418,669)</u>	<u>-</u>	<u>(418,669)</u>
Income before contributions and transfers	<u>270,274</u>	<u>400,806</u>	<u>671,080</u>
Capital Contributions:			
Impact fees	882,128	-	882,128
Grant revenue	1,626,402	-	1,626,402
Change in net position	<u>2,778,804</u>	<u>400,806</u>	<u>3,179,610</u>
Net Position - beginning	<u>33,191,902</u>	<u>374,102</u>	<u>33,566,004</u>
Net Position - ending	<u>\$ 35,970,706</u>	<u>\$ 774,908</u>	<u>\$ 36,745,614</u>

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

CITY OF GROVELAND, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For The Year Ended September 30, 2017

	Water and Sewer Fund	Sanitation Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 5,083,735	\$ 1,097,474	\$ 6,181,209
Payments to suppliers	(672,612)	(651,681)	(1,324,293)
Payments to employees	(1,491,039)	-	(1,491,039)
Net cash provided by operating activities	<u>2,920,084</u>	<u>445,793</u>	<u>3,365,877</u>
Cash Flows from Capital and Related Financing Activities:			
Grant revenues	1,626,402	-	1,626,402
Proceeds from revenue bonds, notes and leases	9,190,321	-	9,190,321
Acquisition of capital assets	(5,406,635)	-	(5,406,635)
Principal paid on revenue bonds, notes and leases	(11,082,640)	-	(11,082,640)
Interest paid on revenue bonds, notes and leases	(455,091)	-	(455,091)
Impact fees	882,128	-	882,128
Net cash used by capital and related financing activities	<u>(5,245,515)</u>	<u>-</u>	<u>(5,245,515)</u>
Cash Flows from Investing Activities:			
Purchase of investments	(21,856)	-	(21,856)
Investment income	39,121	-	39,121
Net cash used by investing activities	<u>17,265</u>	<u>-</u>	<u>17,265</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,308,166)	445,793	(1,862,373)
Cash and Cash Equivalents - beginning	12,715,443	292,779	13,008,222
Cash and Cash Equivalents - end	<u>\$ 10,407,277</u>	<u>\$ 738,572</u>	<u>\$ 11,145,849</u>
Classified as:			
Cash and cash equivalents	\$ 1,396,442	\$ 738,572	\$ 2,135,014
Restricted cash and cash equivalents	9,010,835	-	9,010,835
Total	<u>\$ 10,407,277</u>	<u>\$ 738,572</u>	<u>\$ 11,145,849</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 688,943	\$ 400,806	\$ 1,089,749
Adjustments Not Affecting Cash:			
Depreciation and amortization	1,485,130	-	1,485,130
Change in Assets and Liabilities:			
Decrease (increase) in accounts receivable	(86,775)	(9,067)	(95,842)
Decrease (increase) in due from other governments	(442,330)	-	(442,330)
Decrease (increase) in prepaid costs	(9,679)	-	(9,679)
Increase (decrease) in accounts payable	1,352,759	54,054	1,406,813
Increase (decrease) in accrued liabilities	5,400	-	5,400
Increase (decrease) in customer deposits	44,340	-	44,340
Increase (decrease) in compensated absences	6,406	-	6,406
Increase (decrease) in due to customer	(124,110)	-	(124,110)
Total adjustments	<u>746,011</u>	<u>44,987</u>	<u>790,998</u>
Net Cash Provided By Operating Activities	<u>\$ 2,920,084</u>	<u>\$ 445,793</u>	<u>\$ 3,365,877</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Note 1 - Summary of Significant Accounting Policies:

A. Reporting Entity

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

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

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

The *City of Groveland* Community Redevelopment Fund

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

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

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

The government reports the following funds:

Governmental Funds

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

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

Proprietary Funds

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

The *Sanitation Fund* is used to account for the fiscal activities of the City's refuse collection and disposal operation.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

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

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

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

1. Deposits and Investments

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

Investments of the City are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. The City's investments consist of investments authorized per their investment policy adopted in accordance with Section 218.415, Florida Statutes.

2. Receivables and Payables

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

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

2. Receivables and Payables (Continued)

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

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

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

5. Capital Assets

Capital assets, which include property, plant, equipment, intangible and infrastructure assets (e.g., roads, sidewalks, drainage systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

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

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

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

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

6. Compensated Absences

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

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

7. Long-Term Obligations

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any item that qualifies for reporting in this category for the year ended September 30, 2017.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City does not have any item that qualifies for reporting in this category for the year ended September 30, 2017.

9. Net Position Flow Assumptions

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

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

10. Fund Balance Flow Assumptions

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

11. Fund Balance Policies

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital Outlay	\$ 622,396
Depreciation Expense	<u>(902,412)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (280,016)</u></u>

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

Debt Issued or Incurred:	
2017 Series Bonds	\$ (4,500,000)
Principal Repayment	<u>1,008,078</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (3,491,922)</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

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

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

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

Compensated Absences	\$ (52,732)
Accrued Interest Payable	<u>7,767</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (44,965)</u></u>

Another element of that reconciliation states that “some revenues reported in the statements of activities do not provide current financial resources and, therefore, are not reported in governmental funds” The details of this difference are as follows:

Earned Impact Fees	<u>\$ 107,500</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 107,500</u></u>

Another element of that reconciliation states that “Governmental funds report the entire net sales price (proceeds) or (loss) from sale of an asset as revenue or expense because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the net book value of the asset disposed.” The details of this difference are as follows:

Loss on Disposal of Capital Assets	<u>\$ (64,837)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (64,837)</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 3 - Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 4 - Cash and Investments:

Deposits

At year-end, the carrying amount of the City's deposits was \$22,703,948 and the bank balance was \$22,990,480. Petty cash funds of \$10,725 are not on deposit with a financial institution. All bank deposits were fully covered by Federal Depository Insurance or held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

Investments

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

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

- (a) Florida Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to Florida Statutes.
- (b) U.S. Government securities
- (c) Interest bearing time deposit or savings accounts
- (d) Registered investment companies (money market mutual funds)

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

Investments made by the *City of Groveland* at September 30, 2017 are summarized below. In accordance with GASB Statement No. 31, investments are reported at fair value, except for the investments in the SBA and certificates of deposit, which are carried at amortized cost which approximates fair value.

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 4 - Cash and Investments (Continued):

Investments - (Continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Certificates of Deposit	\$ 2,333,272	Unrated	295 days
Florida SAFE Stable NAV Fund	6,977,373	AAAm	59 days
Florida Prime	242,632	AAAm	51 days
	<u>\$ 9,553,277</u>		

Credit Risk:

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

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2017, all of the city's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2017, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

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

Interest Rate Risk:

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

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 5 - Receivables:

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

	General Fund	Water and Sewer Fund	Sanitation Fund	Total
Receivables:				
Accounts	\$ 161,383	\$ 430,463	\$ 90,390	\$ 682,236
Less Allowance for Uncollectible Accounts	-	(26,104)	-	(26,104)
	<u>\$ 161,383</u>	<u>\$ 404,359</u>	<u>\$ 90,390</u>	<u>\$ 656,132</u>

Note 6 - Capital Assets:

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 8,692,105	\$ -	\$ -	\$ 8,692,105
Construction in progress	77,393	381,446	(446,836)	12,003
Total capital assets, not being depreciated	<u>8,769,498</u>	<u>381,446</u>	<u>(446,836)</u>	<u>8,704,108</u>
Capital Assets, being depreciated:				
Buildings	2,004,452	-	(30,783)	1,973,669
Improvements/infrastructure	8,495,623	446,836	(54,823)	8,887,636
Machinery and equipment	5,757,768	240,950	(1,106,376)	4,892,342
Total capital assets being depreciated	<u>16,257,843</u>	<u>687,786</u>	<u>(1,191,982)</u>	<u>15,753,647</u>
Less Accumulated Depreciation for:				
Buildings	(1,065,829)	(83,149)	21,554	(1,127,424)
Improvements/infrastructure	(6,453,158)	(274,820)	41,609	(6,686,369)
Machinery and equipment	(3,691,767)	(544,443)	1,063,982	(3,172,228)
Total accumulated depreciation	<u>(11,210,754)</u>	<u>(902,412)</u>	<u>1,127,145</u>	<u>(10,986,021)</u>
Total capital assets being depreciated, net	<u>5,047,089</u>	<u>(214,626)</u>	<u>(64,837)</u>	<u>4,767,626</u>
Governmental activities capital assets, net	<u>\$ 13,816,587</u>	<u>\$ 166,820</u>	<u>\$ (511,673)</u>	<u>\$ 13,471,734</u>

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 6 - Capital Assets (Continued):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital Assets, not being depreciated:				
Land	\$ 1,160,332	\$ -	\$ -	\$ 1,160,332
Construction in progress	3,926,056	5,164,457	(6,060,340)	3,030,173
Total capital assets, not being depreciated	<u>5,086,388</u>	<u>5,164,457</u>	<u>(6,060,340)</u>	<u>4,190,505</u>
Capital Assets, being depreciated:				
Buildings and improvements	358,476	-	-	358,476
Water system	10,708,193	3,747,498	-	14,455,691
Sewer system	30,636,425	869,396	(62,565)	31,443,256
Reclaimed water system	1,881,850	1,453,798	-	3,335,648
Machinery and equipment	1,988,055	231,826	(97,136)	2,122,745
Total capital assets being depreciated	<u>45,572,999</u>	<u>6,302,518</u>	<u>(159,701)</u>	<u>51,715,816</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(249,375)	(8,373)	-	(257,748)
Water system	(5,000,570)	(456,527)	-	(5,457,097)
Sewer system	(9,887,232)	(824,981)	62,564	(10,649,649)
Reclaimed water system	(261,047)	(62,284)	-	(323,331)
Machinery and equipment	(1,376,155)	(132,965)	94,438	(1,414,682)
Total accumulated depreciation	<u>(16,774,379)</u>	<u>(1,485,130)</u>	<u>157,002</u>	<u>(18,102,507)</u>
Total capital assets being depreciated, net	<u>28,798,620</u>	<u>4,817,388</u>	<u>(2,699)</u>	<u>33,613,309</u>
Business-type activities capital assets, net	<u>\$ 33,885,008</u>	<u>\$ 9,981,845</u>	<u>\$ (6,063,039)</u>	<u>\$ 37,803,814</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 81,314
Public safety	448,702
Roads and streets	220,827
Community redevelopment	13,137
Parks and recreation	138,432
Total Depreciation Expense - governmental activities	<u>\$ 902,412</u>
Business-type Activities	
Water and Sewer	<u>\$ 1,485,130</u>

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 7 - Leases:

Capital Leases

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

Assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets		
Machinery & Equipment	\$ 1,757,911	\$ 263,321
Less: Accumulated depreciation	(823,062)	(101,104)
Total	<u>\$ 934,849</u>	<u>\$ 162,217</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017 were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Year Ending September 30</u>		
2018	\$ 387,682	\$ 59,361
2019	339,132	59,361
2020	125,621	59,372
2021	2,735	1,784
Total Minimum Lease Payments	<u>855,170</u>	<u>179,878</u>
Less: Amount representing interest	<u>(69,683)</u>	<u>(19,666)</u>
	<u>\$ 785,487</u>	<u>\$ 160,212</u>

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 8 - Long-Term Debt:

Bonds Payable

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

The 2007 Water and Sewer Revenue Bonds are secured by net revenue of the water and sewer system and excise taxes collected. The total principal and interest remaining to be paid on this series is \$9,397,835. For the fiscal year, principal and interest paid on this series was \$324,063 and total pledged revenue was \$3,056,201.

Revenue bonds currently outstanding are as follows:

<u>Business-Type Activities</u>	<u>Interest Rates and Dates</u>	<u>Initial & Final Maturity</u>	<u>Original Amount</u>	<u>Balance September 30, 2017</u>
Water and Sewer Revenue Bonds, Series 2007 A & B	4.125% (9/1)	9/1/2007 to 9/1/2046	<u>\$ 6,248,000</u>	<u>5,423,258</u> <u>\$ 5,423,258</u>

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

<u>Year ending September 30,</u>	<u>Business - Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	100,354	223,709
2019	104,494	219,570
2020	108,804	215,259
2021	113,292	210,771
2022	117,965	206,098
2022 - 2026	666,959	953,358
2027 - 2031	816,345	803,971
2032 - 2036	999,192	621,124
2037 - 2041	1,222,993	397,323
2042 - 2046	1,172,860	123,394
Total	<u>\$ 5,423,258</u>	<u>\$ 3,974,577</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 8 - Long-Term Debt (Continued):

Notes Payable

The Redevelopment Revenue Refunding Note, Series 2011, is secured by ad valorem revenues of the Community Redevelopment Agency. There is no principal and interest outstanding at September 30, 2017. For the fiscal year, principal and interest paid on this series was \$137,563, and total pledged revenues were \$399,294.

The Capital Improvement Revenue Refunding Note, Series 2015, is secured by the public services tax, the half-cent sales tax and franchise fees. The total principal and interest remaining to be paid on this series is \$1,342,974. For the fiscal year, principal and interest paid on this series was \$537,989, and total pledged revenues were \$2,268,708.

The Capital Improvement Revenue Note, Series 2017, is secured by the public services tax, the half-cent sales tax and franchise fees, on parity with the CIRRN, Series 2015. The total principal and interest remaining to be paid is \$5,120,071. For the fiscal year, no principal and interest was paid, and total pledged revenues were \$2,268,708.

Notes payable for governmental activities are as follows:

<u>Governmental Activities</u>	<u>Interest Rate and Dates</u>	<u>Initial & Final Maturity</u>	<u>Original Amount</u>	<u>Balance September 30, 2017</u>
Redevelopment Revenue Refunding Note	2.080%	9/1/2011		
Series 2011	Monthly	to 8/1/2017	<u>\$ 850,000</u>	\$ -
Capital Improvement Revenue Refunding Note	1.350%	10/1/2015		
Series 2015	(10/1, 4/1)	to 10/1/2019	<u>\$ 2,172,700</u>	1,316,200
Capital Improvement Revenue Note	2.150%	8/30/2017		
Series 2017	(10/1, 4/1)	to 4/1/2027	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>
				<u>\$ 5,816,200</u>

The City entered into the State Revolving Loan Agreement CS12038507P for the purpose of constructing clean water improvements. The loan is secured by gross revenues of the water and sewer utility after payment of operation and maintenance costs and senior debt obligations. Total interest and principal remaining to be paid on the loan is \$624,916. For the fiscal year, principal and interest of \$89,217 was paid on the note and total pledged revenue was \$2,867,637.

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 8 - Long-Term Debt (Continued):

Notes Payable - (Continued)

The Water and Sewer Revenue Notes, Series 2016 A, B, and C, are secured by net revenue of the water and sewer system after payment of senior debt obligations. Additionally, the Series C note is also secured by certain grant revenues, none of which were recognized during the year ended September 30, 2017. The total principal and interest remaining to be paid on this series is \$8,304,208. For the fiscal year, principal and interest of \$1,873,620 was paid on the notes and total pledged revenue was \$2,851,895 on Series A and B, and \$4,478,297 on Series C.

Notes payable for business-type activities are as follows:

Business-Type Activities	Interest Rates and Dates	Initial & Final Maturity	Original Amount	Balance September 30, 2017
State Revolving Loan CS12038507P	(3/15, 9/15) 3.160%	3/15/2005 9/15/2025	<u>\$ 1,370,375</u>	\$ 569,643
Water and Sewer Revenue Notes, Refunding Series 2016 A	(9/1) 2.550%	9/1/2016 9/1/2030	<u>\$ 1,927,000</u>	
Series 2016 B	2.550%		<u>\$ 5,000,000</u>	
Series 2016 C	1.800%		<u>\$ 2,000,000</u>	7,120,000
				<u>\$ 7,689,643</u>

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

Year ending September 30,	Governmental Activities		Business - Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 521,000	\$ 121,095	\$ 1,257,339	\$ 189,814
2019	528,000	105,707	521,249	170,135
2020	556,200	95,447	534,210	150,105
2021	564,000	84,474	547,219	136,492
2022	581,000	72,219	561,279	122,550
2023 - 2027	3,066,000	167,904	2,754,347	399,258
2028 - 2032	-	-	1,514,000	77,876
Total	<u>\$ 5,816,200</u>	<u>\$ 646,846</u>	<u>\$ 7,689,643</u>	<u>\$ 1,246,230</u>

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 8 - Long-Term Debt (Continued):

Due to Customer

The City was unsuccessful in challenging the issuance of a consumptive use permit by the St. John's River Water Management District to Niagara Bottling Company, LLC. (Niagara) during the year ending September 30, 2009. Niagara filed motions to recover attorneys' fees against the City as allowed under Florida state statutes. A settlement agreement was entered into January 5, 2011 which grants Niagara a credit of \$1.24 million towards sewer-utility payments. As of September 30, 2017, Niagara had a credit of \$436,581 which is reported as Due to Customer in the financial statements.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Revenue notes payable	\$ 1,967,336	\$ 4,500,000	\$ (651,136)	\$ 5,816,200	\$ 521,000
Capital lease	1,142,429	-	(356,942)	785,487	347,178
Compensated absences Governmental activity	317,710	248,136	(195,404)	370,442	31,771
long-term liabilities	<u>\$ 3,427,475</u>	<u>\$ 4,748,136</u>	<u>\$ (1,203,482)</u>	<u>\$ 6,972,129</u>	<u>\$ 899,949</u>
Business-type Activities					
Bonds payable-					
Revenue bonds	\$ 5,519,636	\$ -	\$ (96,378)	\$ 5,423,258	\$ 100,354
Notes payable-					
Revenue notes	8,789,000	-	(1,669,000)	7,120,000	1,182,000
State revolving loan	643,118	-	(73,475)	569,643	75,339
Capital lease	213,678	-	(53,466)	160,212	49,685
Due to customer	560,691	-	(124,110)	436,581	125,208
Compensated absences Business-type activity	71,196	56,948	(50,542)	77,602	8,958
long-term liabilities	<u>\$ 15,797,319</u>	<u>\$ 56,948</u>	<u>\$ (2,066,971)</u>	<u>\$ 13,787,296</u>	<u>\$ 1,541,544</u>
Total of all activities	<u>\$ 19,224,794</u>	<u>\$ 4,805,084</u>	<u>\$ (3,270,453)</u>	<u>\$ 20,759,425</u>	<u>\$ 2,441,493</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 9 - 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, 2017, there were 117 participants. The City is required to contribute 4% of eligible compensation and match 100% of employee contributions up to 3% of total eligible compensation. Employees vest in the employer contribution ratably over the 5 year period following eligibility. Plan provisions and contribution requirements are established and may be amended by the City Council. City contributions to the plan were \$260,101 for the fiscal year ended September 30, 2017.

Note 10 - Other Post Employment Benefits:

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

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

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

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

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

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

Accordingly, the City has a net OPEB obligation at September 30, 2017 of zero.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 11 - 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, 2017. The cost of the insurance is allocated among the appropriate departments and funds.

Note 12 - 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, 2017. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

CITY OF GROVELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2017

Note 13 - Fund Balance:

	General Fund	Community Redevelopment Fund	Total
Fund Balances			
Restricted for:			
Community redevelopment	\$ -	\$ 563,721	\$ 563,721
Capital projects	4,444,391	-	4,444,391
Infrastructure	2,485,417	-	2,485,417
Building department	1,962,034	-	1,962,034
Public safety	53,582	-	53,582
Impact fees	2,695,085	-	2,695,085
Committed for:			
Parking	20,078	-	20,078
General sinking fund	1,620,000	-	1,620,000
Assigned for:			
Subsequent expenditures	1,241,411	-	1,241,411
Unassigned	500,932	-	500,932
	<u>\$ 15,022,930</u>	<u>\$ 563,721</u>	<u>\$ 15,586,651</u>

OTHER REPORTS

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

Honorable Mayor and City Council
City of Groveland, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Groveland as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of Groveland's basic financial statements, and have issued our report thereon dated July 3, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Groveland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*; and which is described in the accompanying letter to management dated July 3, 2018.

City of Groveland's Response to Finding

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

Purpose of this Report

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

McDiernit Davis & Company, LLC

Orlando, Florida
July 3, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Mayor and City Council
City of Groveland, Florida

Report on Compliance for the Major State Projects

We have audited the *City of Groveland's* (the City) compliance with the types of compliance requirements described in the Florida Department of Financial Services *State Projects Compliance Supplement* that could have a direct and material effect on the City's major state projects for the year ended September 30, 2017. The City's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 10.550, *Rules of the Auditor General*. Those standards and rules require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major state projects occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major State Projects

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state projects for the year ended September 30, 2017.

MCDIRMIT DAVIS & COMPANY, LLC

934 N. MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major state projects to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state projects and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

McDiernit Davis & Company, LLC

Orlando, Florida
July 3, 2018

CITY OF GROVELAND, FLORIDA

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2017

Award type

Grantor	CSFA	Agency or Pass-through	
Grantor program title	Number	Entity Grant Number	Expenditures
State Award			
State of Florida, Department of Environmental Protection			
Statewide Surface Water Restoration and Wastewater Projects			
Eagle Ridge Phase III Reclaimed Water *	37.039	LP35060	\$ 500,000
Passed through Saint John's River Water Management District			
Water Protection and Sustainability Program			
Eagle Ridge Phase III Reclaimed Water *	37.066	07-12-063/28452	428,519
Silver Eagle Reclaimed Storage Tank *	37.066	07-12-075/28399	134,676
Total state awards			<u>\$ 1,063,195</u>

* Denotes a major program

CITY OF GROVELAND, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2017

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of the City of Groveland (the City) under projects of the State of Florida government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Therefore, amounts reported on the Schedule are based on expenditures incurred as of September 30, 2017, even if the grant was received subsequent to that date. State expenditures are recognized following the cost principles contained in Florida Department of Financial Services *State Projects Compliance Supplement*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. This includes retainage incurred, even though it may not yet be eligible for reimbursement. Pass-through entity identifying numbers are presented where available.

CITY OF GROVELAND, FLORIDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
STATE PROJECTS**

Year Ended September 30, 2017

Section I - Summary of Independent Auditor's Results:

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness identified?	___ Yes	<u> X </u> No
• Significant deficiency identified	___ Yes	<u> X </u> None reported
Noncompliance material to financial Statements noted?	___ Yes	<u> X </u> No

State Projects

Type of auditors' report issued on compliance for major state projects:	Unmodified	
Internal control over major state project:		
• Material weakness identified?	___ Yes	<u> X </u> No
• Significant deficiency identified	___ Yes	<u> X </u> None reported
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550?	___ Yes	<u> X </u> No

Identification of major state projects

CFSA No. 37.039
CFSA No. 37.066

Surface Water Restoration
Water Protection and
Sustainability

Dollar threshold used to distinguish between type A and type B programs

\$300,000

Auditee qualified as a low-risk auditee?

___ Yes

X No

Section II – Financial Statement Findings:

None

Section III – State Award Findings and Questioned Costs:

None

Section IV – State Award Summary Schedule of Prior Year Findings:

There was no single audit required for the year ended September 30, 2016.

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Groveland, Florida

Report on the Financial Statement

We have audited the financial statements of the *City of Groveland, Florida*, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated July 3, 2018.

Auditor's Responsibility

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

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Auditor's 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 3, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual report.

Official Title and Legal Authority

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

MCDIRMIT DAVIS & COMPANY, LLC

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Financial Condition

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

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the *City of Groveland, Florida* for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of this Letter

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

McDiernit Davis & Company, LLC

Orlando, Florida
July 3, 2018

APPENDIX A - NONCOMPLIANCE WITH LAWS AND REGULATIONS

For the Year Ended September 30, 2017

ML 17-1-Failure to File Annual Financial Report by the Required Deadline

Criteria - Florida Statutes Chapter 218 requires municipalities that meet certain criteria to complete and submit an audited annual financial report within nine months after the end of the entity's fiscal year. Additionally, timely financial reporting is an integral part of internal control and effective financial management. Delayed reporting reduces the effectiveness of internal control, and could prevent the timely detection of misstatements.

Condition - The required report was not completed and submitted to the Auditor General by June 30, 2018.

Cause - The City has used temporary employees to fulfill the duties and responsibilities of Finance Director for two reporting periods and, as a result, significant delays occurred in the preparation of audited financial statements.

Effect - The State can withhold revenue sharing funds until such time that the report is submitted and the filing requirements are met.

Recommendation - We recommend the City prioritize the hiring of a permanent, qualified individual to fulfill the duties and responsibilities of Finance Director.

Honorable Mayor and City Council
City of Groveland, Florida

We have audited the financial statements of the *City of Groveland, Florida* as of and for the year ended September 30, 2017, and have issued our report thereon dated July 3, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

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

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

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

We have provided our findings regarding other matters noted during our audit in a separate letter to you dated July 3, 2018.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

MCDIRMIT DAVIS & COMPANY, LLC

934 North Magnolia Avenue, Suite 100 Orlando, Florida 32803

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

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

Significant Accounting Estimates

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

The most sensitive estimates affecting the City's financial statement were:

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

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

Significant Difficulties Encountered During the Audit

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

Uncorrected and Corrected Misstatements

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

Disagreements with Management

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

Representations Requested from Management

We have requested certain representations from management that are included in the management representation letter dated July 3, 2018.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

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

Very truly yours,

McDiernit Davis & Company, LLC

Orlando, Florida
July 3, 2018

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

The Honorable Mayor and City Council
City of Groveland, Florida

We have examined City of Groveland's (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, City of Groveland complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

McDirmit Davis & Company, LLC

Orlando, Florida
July 3, 2018

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July 13, 2018

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Orlando, FL 32803

Re: Management Letter, City of Groveland

In response to the Management Letter dated July 3, 2018 pursuant to the City of Groveland annual audit for fiscal year ended September 30, 2017, please find the City of Groveland's management responses to the Management Letter Audit Comments:

Management Response to Current Year Management Comments:

Failure to File Annual Financial Report by the Required Deadline

Criteria – Florida statutes chapter 218 requires municipalities that meet certain criteria to complete and submit an audited annual financial report within nine months after the end of the entity's fiscal year. Additionally, timely financial reporting is an integral part of internal control and effective financial management. Delayed reporting reduces the effectiveness of internal control, and could prevent the timely detection of misstatements.

Condition – The required report was not completed and submitted to the Auditor General by June 30, 2018.

Cause – The City has used temporary employees to fulfill the duties and responsibilities of Finance Director for two reporting periods and, as a result, significant delays occurred in the preparation of audited financial statements.

Effect – The State can withhold revenue sharing funds until such time as the report is submitted and the filing requirements are met.

Recommendation – We recommend the City prioritize the hiring of a permanent, qualified individual to fulfill the duties and responsibilities of the Finance Director.

Management Response - The City is pleased to announce that a qualified, full-time Finance Director has been hired and will come on board starting in August 2018. It is anticipated that future audits will be completed on time.

David Dyer, Interim Finance Director