



City of Groveland, Florida
FINANCIAL STATEMENTS
Year Ended September 30, 2021



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**City of Groveland, Florida
City Officials
As of September 30, 2021**

MAYOR

Evelyn Wilson

VICE MAYOR

Mike Smith

CITY COUNCIL

Mike Radzik
Barbara Gaines
Randolph Waite

CITY MANAGER

Michael Hein

CITY ATTORNEY

Anita Geraci-Carver, Esq.

CITY CLERK

Virginia Wright



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Groveland, Florida (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the City did not accrue for unbilled receivables in previous years for the wastewater system and sanitation services funds. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary and other post employment benefit information on pages 5–13 and 69–72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory 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 our report dated June 30, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Carr, Rigg & Ingram, L.L.C.

Melbourne, Florida,
June 30, 2022



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City of Groveland, Florida Management's Discussion and Analysis

As management of the City of Groveland (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$100,511,068 (net position). Of this amount, \$9,970,254 (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 \$25,935,958 or 35% (including a prior period adjustment \$626,871).
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,651,230, an increase of \$3,807,357 in comparison with the prior year. Of this amount \$6,527,086 is available for spending at the government's discretion (assigned and unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was \$9,231,279 or approximately 58% of total General Fund expenditures.
- The City's total outstanding long-term debt, not including compensated absences and other post-employment benefits, increased by \$1,754,118 during the current fiscal year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and

City of Groveland, Florida Management's Discussion and Analysis

expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, recreation and community development. The business-type activities of the City include water, sewer, and reclaimed water system and sanitation utility services. The government-wide financial statements can be found on pages 16-19 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Community Redevelopment Agency Fund, and the Construction Fund. The other funds are presented in aggregate.

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

The basic governments fund financial statements can be found on pages 20-27 of this report.

City of Groveland, Florida Management's Discussion and Analysis

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found of pages 28-32 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 33-65 of this report.

Government-wide Overall Financial Analysis

Statement of Net Position

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Groveland, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$100,511,068 at the close of the most recent fiscal year.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 17,498,394	\$ 15,919,583	\$ 14,170,891	\$ 9,115,677	\$ 31,669,285	\$ 25,035,260
Capital assets	44,245,757	31,575,329	47,457,907	41,741,682	91,703,664	73,317,011
Total assets	<u>61,744,151</u>	<u>47,494,912</u>	<u>61,628,798</u>	<u>50,857,359</u>	<u>123,372,949</u>	<u>98,352,271</u>
Deferred Outflows OPEB	\$ 150,205	\$ 163,092	8,507	10,356	\$ 158,712	\$ 173,448
Liabilities:						
Long-term liabilities	11,036,760	6,926,646	8,482,521	10,645,444	19,519,281	17,572,090
Other liabilities	1,620,739	4,061,444	1,835,858	2,317,075	3,456,597	6,378,519
Total liabilities	<u>12,657,499</u>	<u>10,988,090</u>	<u>10,318,379</u>	<u>12,962,519</u>	<u>22,975,878</u>	<u>23,950,609</u>
Deferred Inflows OPEB	\$ 42,318	\$ -	2,397	-	\$ 44,715	\$ -
Net Position:						
Net investment in capital assets	34,856,063	24,287,465	38,942,338	30,812,789	73,798,401	55,100,254
Restricted	6,074,817	10,659,083	10,667,597	-	16,742,414	10,659,083
Unrestricted	8,263,659	1,723,366	1,706,594	7,092,407	9,970,253	8,815,773
Total net position	<u>\$ 49,194,539</u>	<u>\$ 36,669,914</u>	<u>\$ 51,316,529</u>	<u>\$ 37,905,196</u>	<u>\$ 100,511,068</u>	<u>\$ 74,575,110</u>

By far the largest portion of the City's net position (73%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment, and construction in progress), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available

City of Groveland, Florida Management's Discussion and Analysis

for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (17%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9.9 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2021, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Statement of Activities

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues						
Charges for services & fines	\$ 3,426,245	\$ 2,820,668	\$ 9,956,531	\$ 9,181,860	\$ 13,382,776	\$12,002,528
Operating grants & contributions	4,786,216	1,300,406	-	-	\$ 4,786,216	\$ 1,300,406
Capital grants & contributions	10,549,231	5,216,096	11,761,671	1,778,746	22,310,902	6,994,842
General Revenues:						
Property taxes	5,969,713	5,123,480	-	-	5,969,713	5,123,480
Utility taxes and franchise fees	2,763,067	2,532,494	-	-	2,763,067	2,532,494
Intergovernmental	5,932,675	3,599,104	-	-	5,932,675	3,599,104
Investment earnings	29,287	217,825	148,531	51,624	177,818	269,449
Miscellaneous	244,444	149,937	37,169	5,944	281,613	155,881
Total revenues	33,700,878	20,960,010	21,903,902	11,018,174	55,604,780	31,978,184
Expenses:						
General government	4,504,134	3,817,194	-	-	4,504,134	3,817,194
Public safety	11,851,246	11,732,679	-	-	11,851,246	11,732,679
Roads and streets	1,311,367	1,255,177	-	-	1,311,367	1,255,177
Parks & recreation	1,318,299	918,046	-	-	1,318,299	918,046
Community development	1,095,218	485,983	-	-	1,095,218	485,983
Interest on long-term debt	133,421	139,092	-	-	133,421	139,092
Water & sewer system	-	-	8,795,319	9,698,620	8,795,319	9,698,620
Sanitation services	-	-	1,286,689	971,036	1,286,689	971,036
Total expenses:	20,213,685	18,348,171	10,082,008	10,669,656	30,295,693	29,017,827
Increase (decrease) in net position before transfers	13,487,193	2,611,839	11,821,894	348,518	25,309,087	2,960,357
Transfers	(962,568)	(586,217)	962,568	586,217	-	-
Increase (decrease) in net position	12,524,625	2,025,622	12,784,462	934,735	25,309,087	2,960,357
Net position, October 1, as previously reported	36,669,914	34,644,292	37,905,196	36,970,461	74,575,110	71,614,753
Prior period adjustments	-	-	626,871	-	626,871	-
Net position, October 1, as restated	36,669,914	34,644,292	38,532,067	36,970,461	75,201,981	71,614,753
Net position, September 30	\$49,194,539	\$36,669,914	\$51,316,529	\$37,905,196	\$100,511,068	\$74,575,110

Governmental Activities

During the current fiscal year, net position for governmental activities increased by \$12.5 million from the prior fiscal year. Program revenues increased by \$9.4 million due to increased donated capital infrastructure, impact fees and proceeds from the American Rescue Plan Act (ARPA) grant. General revenues increased by \$3.3 million primarily due to an increase in property taxes, franchise fees and

City of Groveland, Florida Management's Discussion and Analysis

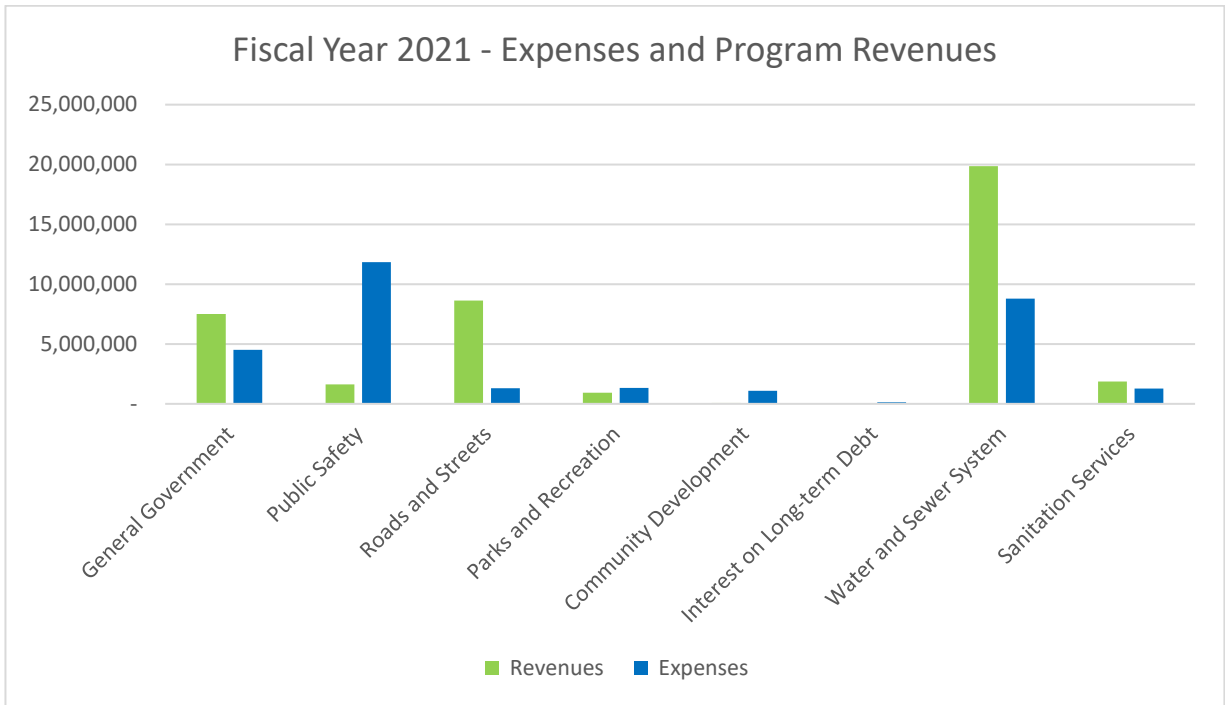
funds received development of a regional park. Governmental activities expenditures increased \$1.8 million compared to the fiscal year ending September 30, 2020. This increase was primarily attributed to increases in general government, parks and recreation and community development. General government expenditures increased \$686,940 due to the addition of new personnel, a new enterprise resource planning (ERP) system, increases in insurance and increases in subscription-based software for security and workflow enhancements. Parks and recreation expenditures increased \$400,253 due to the addition of City events for the public and the commissioning of a park's masterplan. Community Development expenditures increased by \$609,235 of which \$441,818 were one-time expenditures for supplies, equipment and aid to residents and business to assist the City and community respond and recover from the COVID-19 pandemic.

Business-type Activities

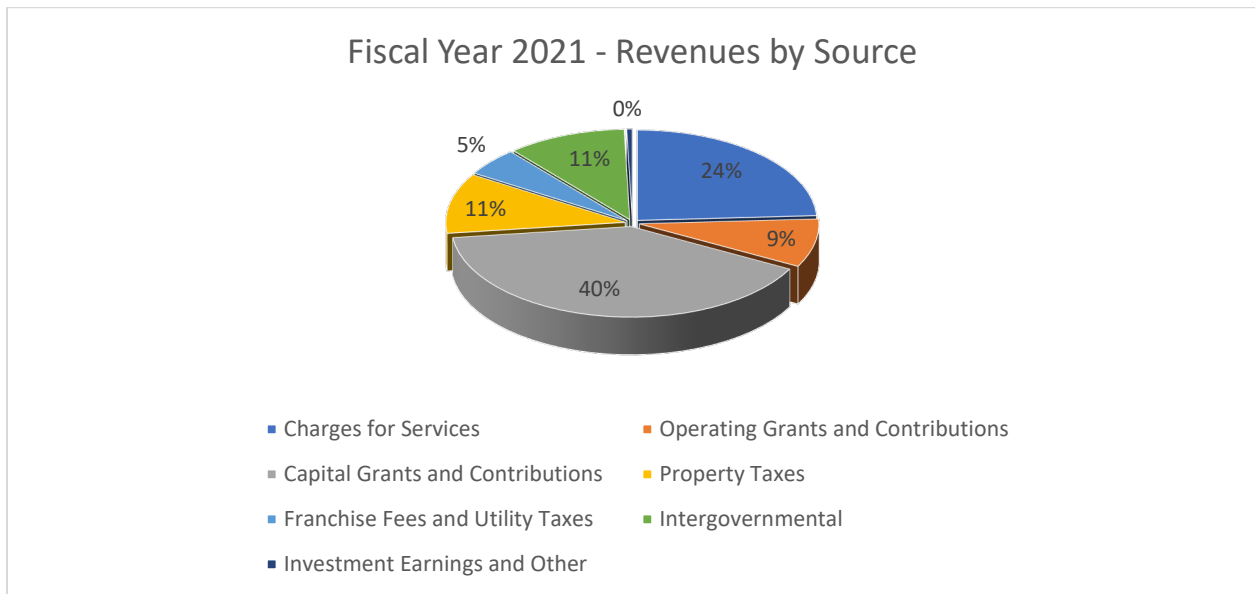
Business-type activities increased the City's net position by \$12.8 million. Program revenues increased by approximately \$10.9 million due to capital contributions from developers, impact fee collections and increased sanitation revenues from commencement of commercial solid waste services during the fiscal year. Net transfers increased by \$400,000 with a one-time transfer of water and sewer impact fees from governmental activities. Business-type expenditures decreased by approximately \$600,000 thus adding to the net position for the year. The water and sewer system expenditures were less than the prior year by \$903,000 primarily due to a loss of \$1.9 million in the prior year on the purchase and sale of the Palisades Golf Course for acquisition of the water rights and an increase of \$1.0 million in the current year for repairs and equipment that were expensed instead of capitalized due to a change in the City's capitalization threshold. Sanitation services expense increased by \$315,000 due to contracting with a disposal company for commercial solid waste services. A prior period adjustment of \$627,000 also contributed to the increased net position for business-type activities. The prior period adjustment related to increased receivables and revenue in the prior year for unbilled water, sewer, reclaim and sanitation charges for services. Additional information on the prior period adjustment can be found in Note 2 on page 44.

The chart below compares each program's expense with revenues generated by the program. Public safety represents one of the City's major services and the majority of resources used to fund the service are not generated by the program. Revenues from taxes and other general resources provide the remaining funding necessary for public safety. In FY 2021, program revenues for general government activities and roads and streets activities exceeded expenditures by \$3.0 million and \$7.3 million, respectively. For government activities this was primarily due to proceeds from the ARPA grant and for roads and streets activities this was primarily due donated road and stormwater infrastructure. Water and sewer program revenues were also higher than program activities by \$11.1 million. This was due to increased water and sewer impact fee collections and donated water, sewer and reclaim infrastructure.

City of Groveland, Florida Management's Discussion and Analysis



The chart below displays the City's revenues by source. In FY 2021 capital grants and contributions represent the largest revenue source which consists of \$16.3 million in donated capital infrastructure and \$6 million in impact fee collections. The next largest revenue source is charges for services which is primarily generated from the delivery of water, sewer, and sanitation services to the residents and businesses of the City.



Financial Analysis of Government's Funds

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

City of Groveland, Florida Management's Discussion and Analysis

Governmental funds.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15.6 million, a 32% increase from the prior year. Unassigned fund balance increased, primarily due to proceeds from the ARPA grant. The remainder of fund balance represents a legally restricted funding source that has been committed to a specific purpose by City action or is not in liquid form available for new spending.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4.9 million, while total fund balance was \$9.5 million. 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 fund balance and total fund balance as a percentage of total General Fund expenditures equal 31% and 60% respectively at September 30, 2021.

The fund balance of the City's General Fund increased by \$8.2 million in the current fiscal year compared to a decrease of \$8.5 in the prior year. Contributing to the increase in FY 2021 was \$4.1 million in grant proceeds from the ARPA grant, \$1.6 million in contribution for the South Lake Regional Park, a \$5.0 million net transfer in the current fiscal year compared to a \$6.4 million net transfer out in the prior year, and loan proceeds of \$1.1 million that reimbursed the General Fund for Public Safety Complex construction expenditures and the purchase of land for downtown parking. These new or increased revenues were offset by an increase in expenditures of \$2.0 million. Of this amount, there was a \$1.0 million increase in public safety expenses which is attributed to new police officers and firefighters; a \$704,812 increase in general government expenditures resulting from new personnel, new enterprise resource planning (ERP) system, increases in insurance and increases in subscription-based software for security and workflow enhancements; a \$416,415 increase in parks and recreation expenditures due to the addition of several City events for the public and the commissioning of a park's masterplan; and an increase of \$468,705 in community development expenditures for supplies, equipment and aid to residents and business to assist the City and community respond and recover from the COVID-19 pandemic. Capital outlay decreased by \$595,638.

Proprietary funds.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$1.4 million for the Water and Sewer System and \$.3 million for Sanitation Services. The total increase in combined net position for the enterprise funds was \$13.4 million. The factors contributing to the increase in net position of these funds is explained in the discussion of the City's business-type activities.

City of Groveland, Florida Management's Discussion and Analysis

General Fund Budgetary Highlights

There were two budget amendments during the year ended September 30, 2021.

The first budget amendment increased the Community Redevelopment Agency's budget by \$229,934. At the end of Fiscal Year 2020, funds allocated for future capital projects in the CRA Trust Fund were \$396,962. Budgeted Funds carried over in the Fiscal Year 2021 budget were \$167,028. A budget amendment was done to recognize and appropriate an additional \$229,934 for on-going projects or future capital projects to be identified in this year's (FY 21-22) Annual Work Plan.

The second budget amendment was a year-end budget true-up that reduced the City's budget by \$8.7 million. In accordance with Florida Statutes 166.241, the City Council has 60 days following the fiscal year end to amend the budget. Four funds experienced revenue increases, and seven funds experienced revenue decreases during the fiscal year. The year-end budget amendment adjusted revenues and expenditures accordingly. In addition, adjustments between expenditure appropriations within Departments were made to reflect actual expenditure activity for the year.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounted to \$91.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and other infrastructure items. The percentage increase from the prior year was approximately 25%.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 9,015,424	\$ 8,373,605	\$ 1,160,332	\$ 1,160,332	\$ 10,175,756	\$ 9,533,937
Buildings	13,281,061	883,080	983,222	1,098,402	14,264,283	1,981,482
Improvements other than buildings	17,488,943	6,818,673	43,553,816	36,659,277	61,042,759	43,477,950
Machinery and equipment	3,502,431	3,340,398	590,972	553,558	4,093,403	3,893,956
Construction in progress	957,898	12,159,573	1,169,565	2,270,113	2,127,463	14,429,686
Total	<u>\$44,245,757</u>	<u>\$31,575,329</u>	<u>\$47,457,907</u>	<u>\$41,741,682</u>	<u>\$91,703,664</u>	<u>\$ 73,317,011</u>

Major capital asset additions include the following projects:

- Construction of Public Safety Complex
- Construction of Lake David Park
- City Hall Annex leasehold improvements and City Hall shade structure
- Senior Center parking lot improvements
- Downtown streetscaping
- Fire Station 3
- Police vehicles

City of Groveland, Florida Management's Discussion and Analysis

- Water, sewer, reclaim, stormwater and road infrastructure developer contributions to the City
- Ford Commerce Park water booster station
- Sampey wastewater Treatment Facility emergency screen replacement

Additional information on the City's capital assets can be found in Note 3C on pages 48-50 of this report.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt, loans and capital leases outstanding of \$17.4 million an decrease of \$1.7 million from \$15.7 million at September 30, 2020.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue Bonds	\$ -	\$ -	\$ -	\$ 5,109,606	\$ -	\$ 5,109,606
State Revolving Fund Loan	-	-	1,023,828	337,440	1,023,828	337,440
Revenue Note Payable	8,304,771	4,548,303	7,290,000	5,039,000	15,594,771	9,587,303
Capital Leases	762,516	609,931	64,580	47,297	827,096	657,228
Total	<u>\$ 9,067,287</u>	<u>\$ 5,158,234</u>	<u>\$ 8,378,408</u>	<u>\$ 10,533,343</u>	<u>\$ 17,445,695</u>	<u>\$ 15,691,577</u>

Additional information on the City's outstanding debt can be found in Notes 3D & 3E on pages 51-57 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City of Groveland and were considered in developing the 2021-2022 fiscal year budget.

- As of the United States Censes count of April 1, 2020, the City had an estimated population of 18,505. The population estimate issued for 2021 by the State of Florida, Office of Economic and Demographic Research shows the City's population has increased to 20,197.
- During the fiscal year 2021, the City issued building permits for the construction of 525 new single family homes. The City expects continued local economic conditions to remain favorable in the near term. This is proven with construction in the C. Ford Industrial Park of a Kroger Distribution Center and Amazon Distribution Center.

Requests for Information

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



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CITY OF GROVELAND, FLORIDA
Basic Financial Statements

City of Groveland, Florida
Statement of Net Position

<i>September 30, 2021</i>	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 15,280,276	\$ 6,765,543	\$ 22,045,819
Investments	-	4,838,267	4,838,267
Receivables, net	288,605	1,397,576	1,686,181
Prepaid items	295,134	-	295,134
Due from other governments	1,584,379	140,960	1,725,339
Loan receivable	50,000	-	50,000
Restricted assets:			
Cash and cash equivalents	-	1,028,545	1,028,545
Capital assets:			
Non-depreciable	9,973,322	2,329,897	12,303,219
Depreciable (net)	34,272,435	45,128,010	79,400,445
Total assets	61,744,151	61,628,798	123,372,949
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to other post-employment benefits	150,205	8,507	158,712
Total deferred outflow of resources	150,205	8,507	158,712
LIABILITIES			
Accounts payable	878,753	775,533	1,654,286
Accrued liabilities	201,982	-	201,982
Due to other governments	522,045	-	522,045
Accrued interest	4,241	12,393	16,634
Customer deposits payable	-	1,047,932	1,047,932
Unearned revenue	13,718	-	13,718
Non-current liabilities:			
Due within one year:			
Compensated absences	442,086	21,472	463,558
Other post-employment benefits	86,429	4,895	91,324
Bonds, notes and capital leases	513,362	466,267	979,629
Due in more than one year:			
Compensated absences	478,927	23,261	502,188
Other post-employment benefits	962,031	54,485	1,016,516
Bonds, notes and capital leases	8,553,925	7,912,141	16,466,066
Total liabilities	12,657,499	10,318,379	22,975,878
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to other post-employment benefits	42,318	2,397	44,715
Total deferred inflows of resources	42,318	2,397	44,715

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

	Primary Government		
<i>September 30, 2021</i>	Governmental Activities	Business-type Activities	Total
NET POSITION			
Net investment in capital assets	34,856,063	38,942,338	73,798,401
Restricted for:			
System expansion	-	10,620,136	10,620,136
Community development	267,430	-	267,430
Infrastructure	1,414,751	-	1,414,751
Capital projects	2,480,343	-	2,480,343
Public safety	1,862,410	-	1,862,410
Debt service	49,883	47,460	97,343
Unrestricted	8,263,659	1,706,595	9,970,254
Total net position	\$ 49,194,539	\$ 51,316,529	\$ 100,511,068

City of Groveland, Florida
Statement of Activities

For the year ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 4,504,134	\$ 3,026,778	4,317,675	\$ 162,475
Public safety	11,851,246	388,379	380,922	846,769
Roads and streets	1,311,367	-	-	8,630,212
Parks and recreation	1,318,299	11,088	-	909,775
Community development	1,095,218	-	87,619	-
Interest on long-term debt	133,421	-	-	-
Total governmental activities	20,213,685	3,426,245	4,786,216	10,549,231
Business-type activities:				
Water and sewer system	8,795,319	8,094,808	-	11,761,671
Sanitation services	1,286,689	1,861,723	-	-
Total business-type activities	10,082,008	9,956,531	-	11,761,671
Total primary government	\$ 30,295,693	\$ 13,382,776	\$ 4,786,216	\$ 22,310,902

General revenues and transfers:

Taxes:

Property taxes, levied for general purposes

Franchise fees and utility taxes

Intergovernmental

Investment earnings

Miscellaneous

Transfers, net

Total general revenues

Change in net position

Net position, beginning of year as previously reported

Prior period adjustment (see Note 2)

Net position, beginning of year as restated

Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ 3,002,794	\$ -	\$ 3,002,794
(10,235,176)	-	(10,235,176)
7,318,845	-	7,318,845
(397,436)	-	(397,436)
(1,007,599)	-	(1,007,599)
(133,421)	-	(133,421)
(1,451,993)	-	(1,451,993)
-	11,061,160	11,061,160
-	575,034	575,034
-	11,636,194	11,636,194
(1,451,993)	11,636,194	10,184,201
5,969,713	-	5,969,713
2,763,067	-	2,763,067
5,932,675	-	5,932,675
29,287	148,531	177,818
244,444	37,169	281,613
(962,568)	962,568	-
13,976,618	1,148,268	15,124,886
12,524,625	12,784,462	25,309,087
36,669,914	37,905,196	74,575,110
-	626,871	626,871
36,669,914	38,532,067	75,201,981
\$ 49,194,539	\$ 51,316,529	\$ 100,511,068

City of Groveland, Florida
Balance Sheet - Governmental Funds

<i>September 30, 2021</i>	General Fund	Community Redevelopment Agency Fund
ASSETS		
Cash and cash equivalents	\$ 8,962,718	\$ 509,445
Accounts receivable	285,062	-
Due from other funds	83,076	-
Due from other governments	1,074,822	-
Prepaid items	275,134	20,000
Loan receivable	-	50,000
Total assets	10,680,812	579,445
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 267,542	\$ 187,550
Retainage payable	-	-
Accrued payroll and related liabilities	194,436	640
Due to other funds	-	-
Due to other governments	522,045	-
Unearned revenue	13,718	-
Total liabilities	997,741	188,190
Deferred inflows of resources:		
Unavailable revenue	176,658	-
Total deferred inflows of resources	176,658	-
Fund balances:		
Nonspendable	275,134	70,000
Restricted		
Community development	-	321,255
Capital projects	-	-
Infrastructure	-	-
Public safety	-	-
Debt service	-	-
Committed		
General sinking fund	2,704,193	-
Assigned	1,550,000	-
Unassigned	4,977,086	-
Total fund balances	9,506,413	391,255
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,680,812	\$ 579,445

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

Construction Fund	Non-major Governmental Funds	Total Governmental Funds
\$ 194,913	\$ 5,613,200	\$ 15,280,276
-	3,543	288,605
-	-	83,076
-	509,557	1,584,379
-	-	295,134
-	-	50,000
194,913	6,126,300	17,581,470

\$ 556	\$ 277,728	\$ 733,376
87,957	57,420	145,377
-	6,906	201,982
-	83,076	83,076
-	-	522,045
		13,718
88,513	425,130	1,699,574

-	54,008	230,666
-	54,008	230,666

-	-	345,134
-	(53,825)	267,430
106,400	2,373,943	2,480,343
-	1,414,751	1,414,751
-	1,862,410	1,862,410
-	49,883	49,883
-	-	2,704,193
-	-	1,550,000
-	-	4,977,086
106,400	5,647,162	15,651,230

\$ 194,913	\$ 6,126,300	\$ 17,581,470
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City of Groveland, Florida

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

Total fund balances - governmental funds		\$ 15,651,230
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 58,995,160	
Less accumulated depreciation	<u>(14,749,403)</u>	44,245,757
<p>Long-term liabilities, including notes payable, capital leases and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Notes payable	(8,304,771)	
Compensated absences	(921,013)	
Other post-employment benefits	(1,048,460)	
Capital leases	(762,516)	
Accrued interest	<u>(4,241)</u>	(11,041,001)
<p>Unavailable revenue is recorded as a deferred inflow in the fund statements but is recorded as revenue in governmental activities.</p>		
		230,666
<p>Deferred outflows of resources related to other-post employment benefits are not recognized in the funds; however, they are recorded in the statement of net position under full accrual accounting.</p>		
		150,205
<p>Deferred inflows of resources related to other-post employment benefits are not recognized in the funds; however, they are recorded in the statement of net position under full accrual accounting.</p>		
		(42,318)
Net position of governmental activities		\$ 49,194,539

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

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

<i>For the year ended September 30, 2021</i>	General Fund	Community Redevelopment Agency Fund
Revenues		
Property taxes	\$ 5,296,564	\$ 672,513
Franchise and utility taxes	2,763,067	-
Licenses and permits	113,439	-
Intergovernmental	8,815,859	-
Charges for services	746,637	-
Fines and forfeitures	98,495	-
Impact fees	-	-
Interest and other	12,259	82
Miscellaneous revenue	150,633	62,001
Total revenues	17,996,953	734,596
Expenditures		
Current:		
General government	4,351,962	-
Public safety	8,443,004	-
Roads and streets	949,229	-
Community development	603,442	464,783
Parks and recreation	1,108,942	-
Capital outlay	492,711	255,878
Debt service:		
Principal	2,718	-
Interest and fiscal charges	-	-
Debt issuance costs	-	-
Total expenditures	15,952,008	720,661
Excess (deficiency) of revenues over (under) expenditures	2,044,945	13,935
Other financing sources (uses)		
Transfers in	7,174,489	59,535
Transfers out	(2,127,017)	(19,642)
Capital lease proceeds	-	-
Debt proceeds	1,134,200	-
Debt payments to escrow agent	-	-
Proceeds from sale of assets	38,660	-
Net other financing sources (uses)	6,220,332	39,893
Net change in fund balances	8,265,277	53,828
Fund balances, beginning of year	1,241,136	337,427
Fund balances, end of year	\$ 9,506,413	\$ 391,255

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

Construction Fund	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 5,969,077
-	-	2,763,067
-	2,182,012	2,295,451
-	2,063,155	10,879,014
-	-	746,637
-	-	98,495
-	1,873,313	1,873,313
2,792	14,154	29,287
-	-	212,634
2,792	6,132,634	24,866,975
-	81,365	4,433,327
596,367	2,081,358	11,120,729
-	-	949,229
-	-	1,068,225
-	-	1,108,942
2,472,066	1,969,207	5,189,862
-	865,603	868,321
-	131,394	131,394
23,055	20,000	43,055
3,091,488	5,148,927	24,913,084
(3,088,696)	983,707	(46,109)
300,000	1,029,537	8,563,561
(375,000)	(7,004,470)	(9,526,129)
-	418,374	418,374
3,165,800	3,706,000	8,006,000
-	(3,647,000)	(3,647,000)
-	-	38,660
3,090,800	(5,497,559)	3,853,466
2,104	(4,513,852)	3,807,357
104,296	10,161,014	11,843,873
\$ 106,400	\$ 5,647,162	\$ 15,651,230



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City of Groveland, Florida

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

Net change in fund balances - total governmental funds \$ **3,807,357**

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

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

Expenditures for capital assets	\$	5,170,130	
Capital contribution		8,630,212	
Less current year depreciation		<u>(1,123,814)</u>	12,676,528

In the statement of activities, only the gain or loss on the sale of capital assets are reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the capital assets sold or disposed.

Loss from disposition of capital assets	(6,100)
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Revenues recognized in a prior period in the statement of activities that did not provide current financial resources were not recognized in the funds until such resources were provided.	(59,535)
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Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.	(8,424,374)
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Repayment of note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	4,515,321
--	------------------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	41,028
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Unavailable revenue is recorded as a deferred inflow in the fund statements but is recorded as revenue in governmental activities.	230,666
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Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.	(168,669)
--	------------------

Other postemployment benefit obligation reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.	(87,597)
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Change in net position of governmental activities	\$	12,524,625	
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The accompanying notes are an integral part of this financial statement.

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

<i>September 30, 2021</i>	Business-type Activities - Enterprise Funds		
	Water and Sewer System	Sanitation Services	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,750,434	\$ 15,109	\$ 6,765,543
Cash and cash equivalents, restricted	1,028,545	-	1,028,545
Investments	4,838,267	-	4,838,267
Accounts receivable, net	974,132	423,444	1,397,576
Due from other governments	140,960	-	140,960
Total current assets	13,732,338	438,553	14,170,891
Noncurrent assets:			
Capital assets:			
Land	1,160,332	-	1,160,332
Infrastructure	67,718,064	-	67,718,064
Building and improvements	1,396,936	-	1,396,936
Machinery and equipment	2,392,605	-	2,392,605
Construction in progress	1,169,565	-	1,169,565
Total capital assets	73,837,502	-	73,837,502
Less accumulated depreciation	(26,379,595)	-	(26,379,595)
Total capital assets, net of accumulated depreciation	47,457,907	-	47,457,907
Total noncurrent assets	47,457,907	-	47,457,907
Total assets	61,190,245	438,553	61,628,798
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to other post- employment benefits	8,507	-	8,507
Total deferred outflow of resources	8,507	-	8,507

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

<i>September 30, 2021</i>	Business-type Activities - Enterprise Funds		
	Water and Sewer System	Sanitation Services	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	594,329	181,204	775,533
Accrued interest payable	12,393	-	12,393
Capital lease payable	28,588	-	28,588
Compensated absences	21,472	-	21,472
Other post-employment benefits	4,895	-	4,895
Customer deposits payable	1,047,932	-	1,047,932
Bonds and notes payable	437,679	-	437,679
Total current liabilities	2,147,288	181,204	2,328,492
Noncurrent liabilities:			
Capital lease payable	35,992	-	35,992
Compensated absences	23,261	-	23,261
Other post-employment benefits	54,485	-	54,485
Bonds and notes payable after one year	7,876,149	-	7,876,149
Total noncurrent liabilities	7,989,887	-	7,989,887
Total liabilities	10,137,175	181,204	10,318,379
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to other post-employment benefits	2,397	-	2,397
Total deferred inflows of resources	2,397	-	2,397
NET POSITION			
Net investment in capital assets	38,942,338	-	38,942,338
Restricted for:			
Debt service	47,460	-	47,460
System expansion	10,620,136	-	10,620,136
Unrestricted	1,449,246	257,349	1,706,595
Total net position	\$ 51,059,180	\$ 257,349	\$ 51,316,529

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

<i>For the year ended September 30, 2021</i>	Business-type Activities - Enterprise Funds		
	Water and Sewer System	Sanitation Services	Total
Operating revenues:			
Charges for services	\$ 8,094,808	\$ 1,861,723	\$ 9,956,531
Miscellaneous	15,461	-	15,461
Total operating revenues	8,110,269	1,861,723	9,971,992
Operating expenses:			
Salaries, wages and employee benefits	684,906	-	684,906
Contractual, materials, and supplies	3,415,752	1,286,548	4,702,300
Insurance claims and expense	219,879	-	219,879
Depreciation	2,347,750	-	2,347,750
Repairs and maintenance	435,913	-	435,913
Other operating expenses	1,386,586	141	1,386,727
Total operating expenses	8,490,786	1,286,689	9,777,475
Operating income	(380,517)	575,034	194,517
Nonoperating revenues (expenses):			
State grant	20,000	-	20,000
Investment income	147,595	936	148,531
Interest and fiscal charges	(250,212)	-	(250,212)
Debt issuance costs	(54,321)	-	(54,321)
Gain on sale/disposal of capital assets	21,708	-	21,708
Total nonoperating revenues (expenses)	(115,230)	936	(114,294)
Income before contributions and transfers	(495,747)	575,970	80,223
Capital contributions	11,741,671	-	11,741,671
Transfers in	6,548,752	-	6,548,752
Transfers out	(4,368,409)	(1,217,775)	(5,586,184)
Change in net position	13,426,267	(641,805)	12,784,462
Net position, beginning of year as previously reported	37,118,422	786,774	37,905,196
Prior period adjustment (see Note 2)	514,491	112,380	626,871
Net position, beginning of year as restated	37,632,913	899,154	38,532,067
Net position, end of year	\$ 51,059,180	\$ 257,349	\$ 51,316,529

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

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

<i>For the year ended September 30, 2021</i>	Business-type Activities - Enterprise Funds		
	Water and Sewer System	Sanitation Services	Total
Cash flows from operating activities:			
Cash received from customers for sales and services	\$ 8,320,306	\$ 1,663,564	\$ 9,983,870
Cash payments to employees	(688,648)	-	(688,648)
Cash payments to suppliers for goods and services	(6,412,614)	(1,188,472)	(7,601,086)
Cash payments for insurance and claims expenses	(219,879)	-	(219,879)
Net cash provided by operating activities	999,165	475,092	1,474,257
Cash flows from noncapital financing activities:			
Cash transfers in from other funds	6,548,752	-	6,548,752
Cash transfers out to other funds	(4,368,409)	(1,217,775)	(5,586,184)
Net cash provided by (used in) noncapital financing activities	2,180,343	(1,217,775)	962,568
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(393,689)	-	(393,689)
Capital grants and contributions	4,091,385	-	4,091,385
Proceeds from sale of capital assets	21,708	-	21,708
Proceeds from issuance of capital leases	38,246	-	38,246
Principal paid on lease obligations	(20,963)	-	(20,963)
Proceeds from issuance of bonds and notes payable	8,486,000	-	8,486,000
Principal paid on bonds and notes payable	(10,658,218)	-	(10,658,218)
Interest paid on long-term debt, net of subsidy	(266,553)	-	(266,553)
Debt issuance costs paid	(54,321)	-	(54,321)
Net cash provided by capital and related financing activities	1,243,595	-	1,243,595
Cash flows from investing activities:			
Investment income	147,595	936	148,531
Purchase of investments	754,665	-	754,665
Net cash provided by investing activities	902,260	936	903,196
Net change in cash and cash equivalents	5,325,363	(741,747)	4,583,616
Cash and cash equivalents, beginning of year	2,453,616	756,856	3,210,472
Cash and cash equivalents, end of year	\$ 7,778,979	\$ 15,109	\$ 7,794,088

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

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

<i>For the year ended September 30, 2021</i>	Business-type Activities - Enterprise Funds		
	Water and Sewer System	Sanitation Services	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (380,517)	\$ 575,034	\$ 194,517
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,347,750	-	2,347,750
Bad debt expense	(9,107)	141	(8,966)
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	18,834	(198,300)	(179,466)
Due from other governments	89,040	-	89,040
Deferred outflows of pension expenses	1,849	-	1,849
Increase (decrease) in liabilities:			
Accounts payable	(674,363)	98,217	(576,146)
Due to other funds	(500,000)	-	(500,000)
OPEB obligation	(519)	-	(519)
Compensated absences	(7,469)	-	(7,469)
Deferred inflows of OPEB earnings	2,397	-	2,397
Customer deposits	111,270	-	111,270
Total adjustments	1,379,682	(99,942)	1,279,740
Net cash provided by operating activities	\$ 999,165	\$ 475,092	\$ 1,474,257
Noncash capital and related financing activities:			
Acquisition of capital assets through contributions from property owners, developers and other governments	\$ 7,670,286	\$ -	\$ 7,670,286

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

City of Groveland, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting entity

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

Blended component unit

The City of Groveland created the Community Redevelopment Agency in 2002. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Notification to affected taxing agency was done in compliance with Chapter 163.346, Part III, Florida Statutes. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area. The City Council, being the duly elected governmental body for the designated area, passed Ordinance 2002-05-15, which established the City of Groveland as the Redevelopment Agency for the purpose of carrying out the community redevelopment programs and plans within the area. Through the Ordinance, the City established the Community Redevelopment Trust Fund to account for all transactions generated by this special revenue fund. The Groveland Community Redevelopment Fund is presented as a blended component unit since the City Council serves as 5 of the 7 members of the governing board and the City has operational responsibility for the Fund.

B. Government-wide and fund financial statements

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

City of Groveland, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

City of Groveland, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary funds are reported using the *economic resources measurement* focus and the *accrual basis of accounting*.

Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used which are not eliminated in the process of consolidation. *Governmental activities* are those which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund financial statements

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

The government reports the following major governmental funds:

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

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

The *construction fund* is used to account for the construction of large capital projects.

City of Groveland, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major enterprise funds:

The *water and sewer system fund* accounts for the operations of the City's water, sewer, and reclaimed water utility operations, which are financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing service to the general public on an ongoing basis are financed primarily through user charges.

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

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

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

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

D. Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary compliance and other post-employment benefits ("OPEB") obligations. The City adopts an annual appropriated budget for its general fund, community redevelopment agency fund, and building fund.

City of Groveland, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity / Fund Balance*

1. Cash and cash equivalents

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

2. Investments

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

3. Receivables and payables

All account and tax receivables are shown net of allowance for uncollectible accounts. As provided by law, the Lake County Property Appraiser assesses all properties for ad valorem taxing purposes and the Lake County Tax Collector collects and distributes all taxes. Ad valorem taxes are levied based on property valuation as of January 1. The fiscal year for which ad valorem taxes are levied begins on October 1. Taxes are due beginning November 1, delinquent on April 1, and lien on May 30. Property tax revenues are recognized in the fiscal year for which they are budgeted and also become due and payable. Virtually all unpaid taxes are collected via tax sale certificates sold on or prior to June 1; therefore, no material taxes are receivable at fiscal year end.

Unbilled receivables – An amount for unbilled revenue is recorded in the Water and Sewer System and Sanitation Services funds for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Loan receivable – An amount established through the anchor tenant loan to grant program by the Groveland Community Redevelopment Agency to allow property owners within the area to apply for and receive loan to grant funding to improve their property. The amount of the loan to grant that the recipient would repay is reduced by 20% annually until the loan to grant amount is reduced to zero after five years and completion of the facility improvements. The receivable is recognized as long-term on the governmental fund balance sheet.

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

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Interfund activities and transactions

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

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

5. Prepaid items

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

6. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. For infrastructure assets the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$50,000 are reported as capital assets.

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

City of Groveland, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

7. 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 has one (1) item that qualifies for reporting as deferred outflows of resources, the *deferred outflows related to other-post employment benefits*, reported in the government-wide and proprietary funds statements of net position. The deferred outflows related to other post-employment benefits are an aggregate of items related to OPEB, reflecting amounts resulting from experience gains/losses that have not been recognized in the current OPEB expense calculation, but will be potentially reflected in future years as calculated in accordance with GASB Codification Section P52: *Postemployment Benefits Other than Pensions – Reporting Benefits Not Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to OPEB will be recognized as either OPEB expense or a reduction in the net OPEB liability in future reporting years.

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 has one (1) item that qualifies for reporting as deferred inflows of resources. The *deferred inflows related to other-post employment benefit* are an aggregate of items related to OPEB, reflecting amounts resulting from experience gains/losses that have not been recognized in the current OPEB expense calculation, but will be potentially reflected in future years as calculated in accordance with GASB Codification Section P52: *Postemployment Benefits Other than Pensions – Reporting Benefits Not Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to other-post employment benefits will be recognized as a reduction to OPEB expense in future reporting years.

Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants and other intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Categories and classification of fund equity

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

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

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

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

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

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

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

City of Groveland, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund balance reserve – The City adopted Ordinance 2013-08-17 creating a fund balance reserve. For the general fund, the reserve is the sinking fund committed fund balance, \$2,704,193. The reserve is calculated as 15% of the expenditures less capital outlay budgeted for the next fiscal year. For the enterprise funds, the reserve is 20% of the expenditures, less capital outlay, budgeted for the next fiscal year. The reserve for the enterprise funds as of September 30, 2021 is \$1,955,495.

9. Revenues and expenditures/expenses

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

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

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

City of Groveland, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds operating and non-operating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the water and sewer system fund and the sanitation services fund are charges to customers for sales and services. The water and sewer system fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

10. Other Post-Employment Benefits (OPEB) Liability

The City participates in a single employer, defined benefit, other post-employment plan. The City does not have a trust for the plan, and there is no actuarial determined contribution. The OPEB liability is determined in accordance with GASBC Section P52: *Postemployment Benefits Other*. For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account. This is a method of financing a post-retirement benefit plan under which the contributions to the plan are generally made at about the same time and amount as benefits and expenses become due.

11. Long Term Obligations

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

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

12. Use of Estimates

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

City of Groveland, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, June 30, 2022. See Note 9. for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

14. Recently issued and implemented accounting pronouncements

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

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

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

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirement of this Statement are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 96, *Subscriptions-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

City of Groveland, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation plans* increases the consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

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

Note 2: RESTATEMENT OF BEGINNING BALANCES

The City did not accrue for unbilled receivables in the prior period for the Water and Sewer System and Sanitation Services funds. As such, receivables and revenue were understated in previous years.

	<u>Government-wide Statements</u>	
	Business-type Activities	Total
Net position, September 30, 2020, as previously reported	\$ 37,905,196	\$ 37,905,196
Cumulative effect in applying the accrual recognition of unbilled receivables	626,871	626,871
Beginning net position, as restated	\$ 38,532,067	\$ 38,532,067
	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>
Fund balance/net position, September 30, 2020, as previously reported	\$ 37,118,422	\$ 786,774
Cumulative effect in applying the modified-accrual of recognition of unbilled receivables	514,491	112,380
Beginning fund balance/net position, as restated	\$ 37,632,913	\$ 899,154

City of Groveland, Florida Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

As of September 30, 2021, \$250,000 of the City's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

The investment program is established in accordance with the City's investment policy, pertinent bond resolutions and Section 218.45, Florida Statutes, which allows the City to invest in the Florida State Board of Administration intergovernmental investment pool or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, direct obligations of the United States Government, obligations of the different agencies of the Federal Government, registered money market funds and accounts of state qualified public depositories.

The investing of public funds with the Florida State Board of Administration (SBA) - Local Government Surplus Funds Trust Fund is governed by Section 218.407, Florida Statutes. The SBA is under regulatory oversight of the State of Florida. The investment pool consists largely of corporate notes and commercial paper. On September 30, 2021, the City had \$257,004 invested. The fair value of the City's position in the pool is equal to the value of the pooled shares or net asset value.

The Florida Surplus Asset Fund Trust (Florida SAFE) is a common law trust organized under the laws of the State of Florida as an intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01 of the Florida Statutes. The investment pool consists of obligations guaranteed by the full faith and credit of the United States, U.S. government agency obligations, commercial paper, bank obligations and other obligations permitted by applicable Florida Statutes. At September 30, 2021, the City's share of Florida SAFE was \$2,669,431. The fair value of the City's position in the pool is equal to the value of the pooled shares or net asset value.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City's access to 100 percent of their account value in either external investment pool.

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

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

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

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

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

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

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

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

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

Level 2: Inputs to the valuation methodology include:

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

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

City of Groveland, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

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

As of September 30, 2021, the City did not hold any investments which met the criteria set forth in GASB Codification Section 3100 and would be required to be classified within the fair value hierarchy. At September 30, 2021, the City has the following investments:

Investment type	Fair Value	Weighted Average to Maturity	Rating	Agency
Primary government:				
Certificates of Deposit	\$ 1,911,832	-	Not rated	Not rated
SBA (Florida PRIME)	257,004	49 days	AAAm	S&P
Florida SAFE Stable NAV Fund	2,669,431	60 days	AAAm	S&P
Total primary government	\$ 4,838,267			

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2021.

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

B. Accounts receivable

For the water and sewer system and sanitation services, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to September 30, 2021 (unbilled receivable), is estimated and accrued at year end. If payments are not received from customers, services are shut off and deposits are applied against negative balances.

City of Groveland, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

B. Accounts receivable (Continued)

All account receivables are shown net of allowances for uncollectable accounts for governmental funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2021, were as follows:

	Accounts Receivable	Unbilled Receivable	Allowance for Uncollectible	Net
General Fund	\$ 285,062	\$ -	\$ -	\$ 285,062
Non-major governmental funds	3,543	-	-	3,543
Enterprise Funds:				
Water and Sewer Fund	494,884	549,522	(70,274)	974,132
Sanitation Services Fund	224,401	218,278	(19,235)	423,444
Totals	\$ 1,007,890	\$ 767,800	\$ (89,509)	\$ 1,686,181

Property taxes are considered fully collected (96% of the levy) during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are receivable as of September 30, 2021. There are no other reserves for receivables recorded by the City as of September 30, 2021.

C. Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2021:

	Beginning Balance, As Restated	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,373,605	\$ 641,819	\$ -	\$ 9,015,424
Construction-in-progress	12,159,573	4,459,005	(15,660,680)	957,898
Total capital assets, not being	20,533,178	5,100,824	(15,660,680)	9,973,322
Capital assets, being depreciated:				
Buildings	2,239,038	12,624,983	-	14,864,021
Improvements/infrastructure	14,067,273	11,407,947	-	25,475,220
Machinery and equipment	8,672,976	327,268	(317,647)	8,682,597
Total capital assets, being depreciated	24,979,287	24,360,198	(317,647)	49,021,838
Less accumulated depreciation for:				
Buildings	(1,355,958)	(227,002)	-	(1,582,960)
Improvements/infrastructure	(7,248,600)	(737,677)	-	(7,986,277)
Machinery and equipment	(5,332,578)	(159,135)	311,547	(5,180,166)
Total accumulated depreciation	(13,937,136)	(1,123,814)	311,547	(14,749,403)
Total capital assets, being depreciated, net	11,042,151	23,236,384	-	34,272,435
Governmental activities capital assets, net	\$ 31,575,329	\$ 28,337,208	\$ (15,666,780)	\$ 44,245,757

City of Groveland, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (continued)

	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,160,332	\$ -	\$ -	\$ 1,160,332
Construction-in-progress	2,270,113	429,036	(1,529,584)	1,169,565
Total capital assets, not being	3,430,445	429,036	(1,529,584)	2,329,897
Capital assets, being depreciated:				
Buildings and improvements	1,396,936	-	-	1,396,936
Water system	16,738,808	4,173,105	-	20,911,913
Sewer system	34,561,063	3,514,348	-	38,075,411
Reclaimed water system	7,391,965	1,338,775	-	8,730,740
Machinery and equipment	2,413,129	138,295	(158,819)	2,392,605
Total capital assets, being depreciated	62,501,901	9,164,523	(158,819)	71,507,605
Less accumulated depreciation for:				
Buildings and improvements	(298,534)	(115,180)	-	(413,714)
Water system	(7,408,721)	(373,066)	-	(7,781,787)
Sewer system	(13,170,406)	(1,303,076)	-	(14,473,482)
Reclaimed water system	(1,453,432)	(455,547)	-	(1,908,979)
Machinery and equipment	(1,859,571)	(100,881)	158,819	(1,801,633)
Total accumulated depreciation	(24,190,664)	(2,347,750)	158,819	(26,379,595)
Total capital assets, being depreciated, net	38,608,124	6,816,773	-	45,128,010
Business-type activities capital assets, net	\$ 41,741,682	\$ 7,245,809	\$ (1,529,584)	\$ 47,457,907

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

Governmental activities:	
General government (infrastructure)	\$ 40,338
Public safety	517,009
Roads and streets	349,056
Parks and recreation	193,997
Community development	23,414
Total depreciation expense - governmental activities	\$ 1,123,814
Business-type activities:	
Water and sewer system	\$ 2,347,750
Total depreciation expense - business-type activities	\$ 2,347,750

City of Groveland, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Leases

Governmental Activities

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

<i>Year ending September 30,</i>	
2022	\$ 286,623
2023	199,975
2024	178,059
2025	115,558
2026	81,544
Total minimum lease payments	861,759
Less amount representing interest	(99,243)
Present value of net minimum lease payments	<u>\$ 762,516</u>

Business-Type Activities

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

<i>Year ending September 30,</i>	
2022	\$ 30,503
2023	15,241
2024	8,511
2025	8,511
2026	8,508
Total minimum lease payments	71,274
Less amount representing interest	(6,694)
Present value of net minimum lease payments	<u>\$ 64,580</u>

The assets acquired through capital leases are as follow:

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 1,667,909	\$ 134,418
Less accumulated depreciation	(760,451)	(66,971)
Total capital assets, net	<u>\$ 907,458</u>	<u>\$ 67,447</u>

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt and liabilities

Wastewater System Bonds

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

On May 23, 2007, the City issued \$4,309,000 Water and Sewer Revenue Bond, Series 2007A. These bonds were sold to finance the City's cost of construction and improvements to the City's Sampey Wastewater Treatment Plant, and related costs of issuance. The Series 2007A bonds bear interest at 4.125% per annum, payable on September 1, 2007, and annually thereafter on the first day of September each year through 2046. On February 3, 2021, the entire outstanding principal of \$3,523,894 was refunded through the issuance of Water and Sewer Revenue Refunding Note, Series 2021.

On June 6, 2007, the City issued \$1,939,000 Water and Sewer Revenue Bond, Series 2007B. These bonds were sold to finance the City's cost of construction and improvements to the City's Sampey Wastewater Treatment Plant, and related costs of issuance. The Series 2007B bonds bear interest at 4.125% per annum, payable on September 1, 2007, and annually thereafter on the first day of September of each year through 2046. On February 3, 2021, the entire outstanding principal of \$1,585,712 was refunded through the issuance of Water and Sewer Revenue Refunding Note, Series 2021.

Notes payable

On August 30, 2017, the City borrowed \$4,500,000 through a local bank for the purpose of constructing a public safety complex and related capital improvements. The Capital Improvement Revenue Note, Series 2017 bears interest of 2.15%. Commencing April 1, 2018, payments are due semiannually each April 1 and October 1 until April 1, 2027. The note is secured with a pledge of Public Services Tax Revenues, the Half-Cent Sales Tax Revenues, and the Franchise Fees Revenues collected by the City. On September 21, 2021, the entire outstanding principal of \$3,647,000 was refunded through the issuance of Capital Improvement Refunding Revenue Note, Series 2021A and Taxable Capital Improvement Revenue Note, Series 2021B.

On July 24, 2018, the City entered into an interlocal agreement for emergency network radios to benefit and continue the county-wide communication system in place. The purchase price and closing costs amounted to \$421,716. Commencing October 31, 2018, payments of \$47,158, including interest of 2.53%, are due annually each October 15th through 2028. As of September 30, 2021, the principal outstanding on the note was \$298,771.

City of Groveland, Florida Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt and liabilities (continued)

On September 23, 2021, the City borrowed \$3,706,000 and \$4,300,000 through a local bank for the purpose of refinancing the series 2017 note in order to extend the maturity thereof and to lower the debt service payment with respect to the financing of the public safety complex and to reimburse costs of the public safety complex and the land acquisition and pay costs of the issuance. The Capital Improvement Refunding Revenue Note, Series 2021A and the Taxable Capital Improvement Revenue Note, Series 2021B bears interest of 2.11% and 2.75% per annum, respectively and mature on June 1, 2041. Principal of the Series 2021 notes is payable annually on June 1 of each year commencing June 1, 2022, through and including the maturity date. The notes are secured by a pledge of non-ad valorem revenues of the City. As of September 30, 2021, the principal outstanding on the the Capital Improvement Refunding Revenue Note, Series 2021A and the Taxable Capital Improvement Revenue Note, Series 2021B was \$3,706,000 and \$4,300,000, respectively.

The City borrowed \$1,355,015 under the State of Florida Revolving Fund Program under a small community loan contract for the construction of facilities planned and designed through the pre-construction activities for the wastewater transmission, collection, reuse, and treatment facilities. The effective interest rate for the funds borrowed under the program is 1.58% for the original award and 1.22% for the amended amount. Pursuant to the contract, semi-annual payments consisting of principal and interest in the amount of \$44,609, with a final payment due on September 15, 2024, commenced September 15, 2004. As of September 30, 2021, the principal outstanding on the note was \$256,222.

The City borrowed \$500,000 under the State of Florida Revolving Fund Program under a small community pre-construction loan contract for the construction of treatment and transmission facilities. The effective interest rate for the funds borrowed under the program is .022%. Pursuant to the contract, semi-annual payments consisting of principal and interest in the amount of \$6,793, with a final payment due on March 15, 2041, commenced September 15, 2021. Interest of \$196 was paid on this note during the year ended September 30, 2021. As of September 30, 2021, the principal outstanding on the note was \$253,606.

The City borrowed \$514,000 under the State of Florida Revolving Fund Program under a small community pre-construction loan contract for the planning activities for water system improvements. The effective interest rate for the funds borrowed under the program is 1.51%. Pursuant to the contract, semi-annual payments consisting of principal and interest in the amount of \$27,772, with a final payment due on February 15, 2032, commenced August 15, 2022. No interest was paid on this note during the year ended September 30, 2021. As of September 30, 2021, the principal outstanding on the note was \$514,000.

City of Groveland, Florida Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt and liabilities (continued)

On March 30, 2016, the City borrowed \$1,927,000, and \$5,000,000, through Water and Sewer Revenue Note, Series 2016A, and 2016B, respectively. Note 2016A was issued for the purpose of providing the City funds to retire on the date of issuance all of the City's refunded bonds. The note bears interest of 2.55% and matures on September 1, 2030. On February 3, 2021, the remaining principal outstanding on the note of \$1,383,000 was refunded through the issuance of Water and Sewer Revenue Refunding Note, Series 2021. Note 2016B was issued for the purpose of providing the City funds to pay costs of acquisition and construction of improvements to the facilities. The note bears interest of 2.55% and matures on September 1, 2030. On February 3, 2021, the remaining principal outstanding on the note of \$3,656,000 was refunded through the issuance of Water and Sewer Revenue Refunding Note, Series 2021.

On February 3, 2021, the City borrowed \$7,472,000 through a local bank for the purpose of refunding the City's outstanding senior lien Water & Sewer Bonds and Notes including (1) the outstanding principal and related accrued interest of the City's Water and Sewer Revenue Refunding Bond, Series 2007A maturing in years 2021-2046 in an aggregate principal sum of \$3,523,894 (2) the outstanding principal and related accrued interest of the City's Water and Sewer Revenue Refunding Bond, Series 2007B maturing in years 2021-2046 in an aggregate principal amount of \$1,585,712 (3) the outstanding principal and related accrued interest of the City's Water and Sewer Revenue Note, Series 2016A maturing in the years 2021-2030 in an aggregate principal amount of \$1,383,000 (4) the outstanding principal and related accrued interest of the City's Water and Sewer Revenue Note, Series 2016B maturing in years 2021-2030 in an aggregate principal amount of \$3,656,000 (5) pay the costs related to the issuance of the Series 2021 Note. The Water and Sewer Revenue Refunding Note, Series 2021 bears interest at the rate of 2.04% per annum and is payable semiannually on March 1 and September 1, commencing on March 1, 2021. The note matures on September 1, 2040 and is secured by a pledge of the net revenues of the City's combined water and sewer system. As of September 30, 2021, the principal outstanding on the note was \$7,290,000.

City of Groveland, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt and liabilities (continued)

The following is a summary of governmental activities notes payable for the year ended September 30, 2021:

Year ending September 30,	Governmental Activities							
	Capital Improvement Refunding Revenue Note, Series 2021A		Taxable Capital Improvement Revenue Note, Series 2021B		Note - Lake County		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 106,000	\$ 53,869	\$ 115,000	\$ 81,461	\$ 39,518	\$ 7,640	\$ 260,518	\$ 142,970
2023	156,000	75,960	171,000	115,088	40,528	6,630	367,528	197,678
2024	159,000	72,668	175,000	110,385	41,564	5,593	375,564	188,646
2025	163,000	69,314	180,000	105,573	42,628	4,530	385,628	179,417
2026	166,000	65,874	185,000	100,623	43,717	3,440	394,717	169,937
2027-2031	885,000	275,271	1,005,000	423,885	90,816	3,498	1,980,816	702,654
2032-2036	981,000	177,979	1,151,000	277,888	-	-	2,132,000	455,867
2037-2041	1,090,000	69,968	1,318,000	110,688	-	-	2,408,000	180,656
Total	3,706,000	860,903	4,300,000	1,325,591	298,771	31,331	8,304,771	2,217,825
Current portion	(106,000)	(53,869)	(115,000)	(81,461)	(39,518)	(7,640)	(260,518)	(142,970)
Payable after one year	\$ 3,600,000	\$ 807,034	\$ 4,185,000	\$ 1,244,130	\$ 259,253	\$ 23,691	\$ 8,044,253	\$ 2,074,855

The following is a summary of business-type activities notes payable for the year ended September 30, 2021:

Year ending September 30,	Business-type Activities									
	Clean Water - SRF CS12038507P		Clean Water - SRF WW350610		Drinking Water - SRF DW350620		Water and Sewer Revenue Refunding Note Series, 2021		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 83,279	\$ 5,938	\$ 12,483	\$ 551	\$ 23,917	\$ 3,855	\$ 318,000	\$ 148,716	\$ 437,679	\$ 159,060
2023	85,392	3,825	12,539	524	48,373	7,171	325,000	142,229	471,304	153,749
2024	87,551	1,659	12,594	496	49,101	6,442	331,000	135,599	480,246	144,196
2025	-	-	12,649	468	49,841	5,703	338,000	128,846	400,490	135,017
2026	-	-	12,705	440	50,591	4,953	345,000	121,951	408,296	127,344
2027-2031	-	-	64,369	1,780	264,612	13,105	1,832,000	501,310	2,160,981	516,195
2032-2036	-	-	65,799	1,065	27,565	207	2,026,000	306,714	2,119,364	307,986
2037-2041	-	-	60,468	334	-	-	1,775,000	91,412	1,835,468	91,746
Total	256,222	11,422	253,606	5,658	514,000	41,436	7,290,000	1,576,777	8,313,828	1,635,293
Current portion	(83,279)	(5,938)	(12,483)	(551)	(23,917)	(3,855)	(318,000)	(148,716)	(437,679)	(159,060)
Payable after one year	\$ 172,943	\$ 5,484	\$ 241,123	\$ 5,107	\$ 490,083	\$ 37,581	\$ 6,972,000	\$ 1,428,061	\$ 7,876,149	\$ 1,476,233

City of Groveland, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt and liabilities (continued)

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable:					
Capital Improvement Note Series 2017	\$ 4,211,000	\$ -	\$ (4,211,000)	\$ -	\$ -
Capital Improvement Note Series 2021A	-	3,706,000	-	3,706,000	106,000
Capital Improvement Note Series 2021B	-	4,300,000	-	4,300,000	115,000
Note - Lake County	337,303	-	(38,532)	298,771	39,518
Total notes from direct borrowings	4,548,303	8,006,000	(4,249,532)	8,304,771	260,518
Other postemployment benefits	1,016,068	32,392	-	1,048,460	86,429
Compensated absences	752,344	1,048,035	(879,366)	921,013	442,086
Capital leases	609,931	418,374	(265,789)	762,516	252,844
Governmental activity long-term liabilities	\$ 6,926,646	\$ 9,504,801	\$ (5,394,687)	\$ 11,036,760	\$ 1,041,877

City of Groveland, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt and liabilities (continued)

Changes in long-term liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
State Revolving Loan	\$ 337,440	\$ -	\$ (81,218)	\$ 256,222	\$ 83,279
State Revolving Loan	-	500,000	(246,394)	253,606	12,483
State Revolving Loan	-	514,000	-	514,000	23,917
Refunding Series 2016 A & B	5,039,000	-	(5,039,000)	-	-
Refunding Series 2021	-	7,472,000	(182,000)	7,290,000	318,000
Total notes from direct borrowings	5,376,440	8,486,000	(5,548,612)	8,313,828	437,679
Bonds payable:					
Water & Sewer Revenue					
Bonds, Series 2007 A & B	5,109,606	-	(5,109,606)	-	-
Total bonds payable	5,109,606	-	(5,109,606)	-	-
Other postemployment					
benefits	59,899	-	(519)	59,380	4,895
Compensated absences	52,202	42,850	(50,319)	44,733	21,472
Capital leases	47,297	38,246	(20,963)	64,580	28,588
Business-type activity long-term liabilities	\$ 10,645,444	\$ 8,567,096	\$ (10,730,019)	\$ 8,482,521	\$ 492,634

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

City of Groveland, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt and liabilities (continued)

Pledged revenues

The City has revenue notes outstanding at September 30, 2021, for which revenues of the City have been pledged for repayment. Revenues pledged to repay these obligations are as follows:

	Amount Issued	Future Principal and Interest	Current Pledged Revenue	Current Year Principal and Interest	Current Percentage of Revenue
Governmental Activities:					
Revenue Notes:					
Capital Improvement Revenue Refunding Note, Series 2021A Maturity: 2041 Interest rate: 2.11%	\$ 3,706,000	\$ 4,566,903	\$ 13,493,304	\$ 159,869	1.2%
Purpose: Refinance the Series 2017 Note, reimburse costs of the public safety complex, land acquisition, and related capital improvements					
Pledged revenue: Non-Ad Valorem Revenues					
Taxable Capital Improvement Revenue Note, Series 2021B Maturity: 2041 Interest rate: 2.75%	\$ 4,300,000	\$ 5,625,591	\$ 13,493,304	\$ 196,461	1.5%
Purpose: Refinance the Series 2017 Note, reimburse costs of the public safety complex, land acquisition, and related capital improvements					
Pledged revenue: Non-Ad Valorem Revenues					

City of Groveland, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. Interfund transfers

Operating Transfers	Transfers		Net
	In	Out	
Major Funds:			
General Fund	\$ 7,174,489	\$ (2,127,017)	\$ 5,047,472
CRA fund	59,535	(19,642)	39,893
Construction fund	300,000	(375,000)	(75,000)
Nonmajor governmental funds	1,029,537	(7,004,470)	(5,974,933)
Water and Sewer System Fund	6,548,752	(4,368,409)	2,180,343
Sanitation Fund	-	(1,217,775)	(1,217,775)
Total	\$ 15,112,313	\$ (15,112,313)	\$ -

The transfers from the community redevelopment fund, water and sewer fund, and nonmajor governmental funds to the general fund were to provide IT and fleet and facilities support and services. Transfers from the water and sewer fund and sanitation fund to the general fund provides reimbursement for support and payment in lieu of taxes and franchise fees.

G. Net investment in capital assets

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	\$ 44,245,757	\$ 47,457,907	\$ 91,703,664
Contracts and retainage payable	(322,407)	(137,161)	(459,568)
Outstanding debt related to capital assets	(9,067,287)	(8,378,408)	(17,445,695)
Net investment in capital assets	\$ 34,856,063	\$ 38,942,338	\$ 73,798,401

H. Retirement plans

The City has established the City of Groveland, Florida 457(b) Retirement Plan, which is a defined contribution plan established to provide benefits at retirement for all employees with more than one year of service. At September 30, 2021, there were 88 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. Total employee contributions to this plan were \$417,699 for the fiscal year ended September 30, 2021.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

H. Retirement plans (Continued)

In October 2018, the City Council approved the adoption of the City of Groveland, Florida 401(a) Retirement Plan. At September 30, 2021, there were 113 participants. The City is required to contribute 4% of eligible compensation and match 100% of employee contributions up to 3% of total eligible compensation for regular employees. For managerial employees, the City is required to contribute 8% of eligible compensation and match 100% of employee contributions up to 6% of total eligible compensation. Employee contributions to the existing 457 plan are eligible for matching in the 401(a) plan. The City's contributions to the 401(a) Retirement Plans were \$687,973 for the fiscal year ended September 30, 2021.

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

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

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

Funding policy. Contribution rates for the insurance are established on an annual basis. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute toward the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate, which includes active employees constitutes a significant economic benefit to retirees, or an OPEB obligation of the City. The City is currently funding this OPEB obligation on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses. OPEB liabilities are liquidated by the respective funds that are obligated for the related costs. For governmental activities, OPEB liabilities are generally liquidated by the general fund. For the year ended September 30, 2021, the City estimated it subsidized \$158 of medical costs for its retirees and their covered dependents.

As of September 30, 2021, no trust has been established for the other postemployment benefits.

City of Groveland, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

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

Plan membership. At October 1, 2020, OPEB membership consisted of the following:

	Number of Covered Individuals
Inactive members currently receiving benefits	-
Inactive members entitled to but not yet receiving benefits	-
Active members	157
Total	157

Actuarial assumptions and other inputs. The total OPEB liability in the September 30, 2021 actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.00 % projected annual salary increase
Discount rate	2.29 % investment rate of return
Health care cost trend rates	7.00 % trending down to 4.50%

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

The actuarial assumptions included an annual healthcare cost trend rate of 7.00% initially, reduced by decrements of 0.50% to an ultimate rate of 4.50% after two years. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The October 1, 2020 actuarial valuation included changes in assumptions for the discount rate and in the health care cost trend rates. The methods, assumptions, and participant data used are detailed in the actuarial valuation report dated October 1, 2020. These calculations are based on the Entry Age Normal cost method required by GASBC P52.

City of Groveland, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

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

At September 30, 2021, the City reported a total OPEB liability of \$1,107,840. The other postemployment benefit information has been provided as of the September 30, 2021 measurement date.

	Increase (Decrease) Total OPEB Liability
Change in total OPEB liability	
Balance, at September 30, 2020	\$ 1,075,967
Service cost	56,083
Expected interest growth	24,638
Change in assumptions	(48,690)
Benefit payments	(158)
Net changes	31,873
Balance, at September 30, 2021	\$ 1,107,840

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

	1% Decrease (1.29%)	Current Discount Rate (2.29%)	1% Increase (3.29%)
Net OPEB Liability	\$ 1,701,840	\$ 1,107,840	\$ 746,868

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

	1% Decrease (6.00%)	Ultimate Trend (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 772,587	\$ 1,107,840	\$ 1,612,528

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB. For the fiscal year ended September 30, 2021, the City recognized an OPEB expense of \$91,482.

At September 30, 2021, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 158,712	\$ 44,715
Total	\$ 158,712	\$ 44,715

City of Groveland, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

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

The deferred outflows of resources related to OPEB will be recognized in the expense as follows:

<i>Year ending September 30,</i>	
2022	\$ 10,761
2023	10,761
2024	10,761
2025	10,761
2026	10,761
2027-2031	53,805
2031-2033	6,387
Total	\$ 113,997

Note 4: RISK MANAGEMENT

The City is a member of Public Risk Management of Florida (the pool), a local government liability risk pool. The pool administers insurance activities relating to property, general liability, police, professional, automobile liability, public officials' liability, workers' compensation, and boiler and machinery. The pool absorbs losses up to a specified amount for each pool year and purchases excess and other specific coverage's from third-party carriers. The pool assesses each member its pro rata share of the estimated amount required to meet current year losses and operating expenses. If total member assessments do not produce sufficient funds to meet its obligations, the pool can make additional limited assessments. Losses, if any, in excess of the pools ability to assess its members would revert back to the member that incurred the loss. There has been no significant reduction in insurance coverage from the prior year, and no settlements in excess of insurance coverage in any of the prior three years. There were no additional assessments levied against the City for the fiscal year ended September 30, 2021. The cost of the insurance is allocated among the appropriate departments and funds.

Note 5: COMMITMENTS AND CONTINGENCIES

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

City of Groveland, Florida Notes to Financial Statements

Note 5: COMMITMENTS AND CONTINGENCIES (Continued)

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2021. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

The City is the lessee of the premises located at 101 E. Broad Street, Groveland, Florida and various office equipment. The City also began leasing 146 Broad St. on October 1, 2020. The current year rent expense was \$75,960. Future minimum payments of these leases are as follows:

<i>For the year ending September 30,</i>	
2022	\$ 60,000
2023	60,000
2024	60,000
2025	60,000
Total	\$ 240,000

The City has \$314,779 of construction commitments outstanding as of September 30, 2021.

Note 6: ASSET RETIREMENT OBLIGATIONS

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

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

City of Groveland, Florida Notes to Financial Statements

Note 7: TAX ABATEMENTS

The City enters into property tax abatement agreements with new or expanding businesses under the Economic Development Ad Valorem Tax Exemption Program authorized by Groveland City Code, Chapter 25, and Section 166.021(9) Florida Statutes. Under the program, the City grants up to 100% property tax abatements from one to 10 years to attract or retain businesses, which contribute to the economy of the City with new jobs and improvements to real and personal property. The program criteria scores applications on the number of employees, average payroll, capital investment, and additional high economic impact factors such as capital investments over \$25 million, the purchase and use of local materials goods and services to be utilized in the construction or expansion of facilities, providing healthcare, daycare and other benefits to the employees. Benefitting businesses are required to file an annual performance report on the anniversary date of the execution of the performance agreement to verify compliance with the terms and conditions of the Performance Agreement. For the fiscal year ending September 30, 2021, the City had the following agreements:

Kroger Co. of Ohio - The City entered into an Economic Development Agreement (Agreement) with Kroger Co. of Ohio on July 1, 2019 in which, Kroger Co. of Ohio agreed to construct a 350,000 square foot robotically operated fulfillment center to source, package, and prepare grocery products for delivery to consumers and create 350 full-time jobs. The agreement remains in effect for a period of fifteen years after the date the City issues a final certificate of occupancy for the fulfillment center. The City waived \$261,250 in City permit fees, paid \$644,750 in City permit fees on behalf of Kroger Co. of Ohio. In addition, the City agreed to pay Kroger Co. of Ohio, a \$500,000 job growth incentive payment plus a rebate of City ad valorem taxes on real property and tangible personal property over ten years that gradually decreases from 80% to 10% of the incremental increase in ad valorem taxes on the real property and tangible personal property over said period. In exchange, Kroger Co. of Ohio, agreed to invest, by July 1, 2021, a total of \$55 million (\$45 million in real property and \$10 million in tangible personal property) and within nine months of the final certificate of occupancy, create 350 full-time jobs with an average annual payroll of \$14 million. Kroger Co. of Ohio's investment will create new jobs, promote state and local economic development and stimulate business and commercial activity in the City. There are no provisions in the Agreement for recapturing rebated taxes.

Ocado Solutions, USA, Inc. - The City entered into an Economic Development Agreement (Agreement) with Ocado Solutions, USA, Inc. on January 21, 2020 in which Ocado Solutions, USA, Inc. agreed to install robotics technology at Kroger Co. of Ohio's 350,000 square robotically operated fulfillment center and create 60 full-time jobs. The agreement remains in effect for a period of fifteen years after the date the City issues a final certificate of occupancy for the fulfillment center to be constructed by Kroger of Ohio. The City agreed to pay OCADO a \$60,000 job growth incentive payment plus a rebate of City ad valorem taxes on tangible personal property over ten years that gradually decreases from 80% to 10% of the incremental increase in ad valorem taxes on the tangible personal property over said period. In exchange, Ocado Solutions, USA, Inc. agreed to, by December 31, 2022, create 60 fulltime jobs with an average annual salary of \$60,000 each and invest \$70 million in robotics technology. Ocado Solutions, USA, Inc. investment will create new jobs, promote state and local economic development and stimulate business and commercial activity in the City. There are no provisions in the Agreement for recapturing rebated taxes.

City of Groveland, Florida Notes to Financial Statements

Note 8: UNCERTAINTIES

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

Note 9: SUBSEQUENT EVENTS

On December 9, 2021, the City borrowed \$9,986,000 through a local bank for the purpose of financing the right of way acquisitions for State Road 50/33 realignment project and transportation related capital improvements. The Capital Improvement Refunding Revenue Note, Series 2021C bears interest of 1.99% per annum and mature on June 1, 2029. Interest on the series, 2021C note is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2022. Principal of the series, 2021C note is payable in full on the maturity date. The note is secured by a pledge of non-ad valorem revenues of the City; however, the Florida Department of Transportation (FDOT) is contractually obligated to reimburse the City \$9,845,000 (the amount advanced to FDOT for the State Road 50/33 realignment project) in ten equal quarterly payments beginning in Fiscal Year 2025.

The City Council has approved to join the Florida Retirement System (FRS) Pension Plan effective July 1, 2022 for its public safety employees. The plan is administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes.



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



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

<i>September 30,</i>	2021	2020	2019
Total OPEB Liability - beginning	\$ 1,075,967	\$ 817,004	\$ 755,286
Changes due to:			
Service cost	56,083	48,234	39,195
Interest	24,638	22,715	22,657
Change in assumptions	(48,690)	188,184	-
Benefit payments	(158)	(170)	(134)
Net changes in total OPEB liability	31,873	258,963	61,718
Total OPEB Liability - ending (a)	\$ 1,107,840	\$ 1,075,967	\$ 817,004
Plan fiduciary net position (b)	\$ -	\$ -	\$ -
OPEB liability - ending (a) - (b)	\$ 1,107,840	\$ 1,075,967	\$ 817,004
Covered-employee payroll for measurement period	8,751,150	\$ 5,834,221	\$ 5,831,221
OPEB liability as a percentage of covered-employee payroll	12.66%	18.44%	14.01%

Notes to schedule:

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

⁽²⁾ The following discount rate was used in each period:

9/30/2019 - 3.00%

9/30/2020 - 2.30%

9/30/2021 - 2.29%

City of Groveland, Florida
Budgetary Comparison Schedule – General Fund

<i>For the year ended September 30, 2021</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,664,382	\$ 5,293,382	\$ 5,296,564	\$ 3,182
Franchise and utility taxes	2,271,303	2,647,303	2,763,067	115,764
License and permits	61,512	108,112	113,439	5,327
Intergovernmental	2,330,117	4,727,717	8,815,859	4,088,142
Charges for services	711,164	714,407	746,637	32,230
Fines and forfeitures	56,618	89,618	98,495	8,877
Investment income	199,841	11,841	12,259	418
Miscellaneous revenue	99,365	34,009	150,633	116,624
Total revenues	11,394,302	13,626,389	17,996,953	4,370,564
EXPENDITURES				
General government	4,478,883	4,945,833	4,351,962	593,871
Public safety	8,763,742	8,913,742	8,443,004	470,738
Roads and streets	1,031,693	1,156,693	949,229	207,464
Community development	433,172	701,372	603,442	97,930
Parks and recreation	1,212,529	1,203,029	1,108,942	94,087
Capital outlay	785,141	814,900	492,711	322,189
Debt service:				
Principal	-	3,000	2,718	282
Interest and fiscal charges	-	100	-	100
Total expenditures	16,705,160	17,738,669	15,952,008	1,786,661
Excess (deficit) of revenues over expenditures	(5,310,858)	(4,112,280)	2,044,945	6,157,225
OTHER FINANCING SOURCES				
Transfers in	8,802,803	8,153,251	7,174,489	(978,762)
Transfers out	(2,494,588)	(2,494,588)	(2,127,017)	367,571
Debt proceeds	-	1,134,200	1,134,200	-
Proceeds from sale of assets	-	-	38,660	38,660
Total other financing sources	6,308,215	6,792,863	6,220,332	(572,531)
Net change in fund balance	997,357	2,680,583	8,265,277	5,584,694
Fund balance, beginning of the year	1,241,136	1,241,136	1,241,136	-
Fund balance, end of year	\$ 2,238,493	\$ 3,921,719	\$ 9,506,413	\$ 5,584,694

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

City of Groveland, Florida
Budgetary Comparison Schedule – Community Redevelopment Agency

<i>For the year ended September 30, 2021</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 674,158	\$ 674,158	\$ 672,513	\$ (1,645)
Investment income	-	-	82	82
Miscellaneous revenue	48,086	48,086	62,001	13,915
Total revenues	722,244	722,244	734,596	12,352
EXPENDITURES				
Community development	447,555	581,554	464,783	116,771
Capital outlay	429,753	525,687	255,878	269,809
Total expenditures	877,308	1,107,241	720,661	386,580
Excess (deficiency) of revenues over (under) expenditures	(155,064)	(384,997)	13,935	398,932
OTHER FINANCING SOURCES				
Transfers in	-	-	59,535	59,535
Transfers out	(11,965)	(11,965)	(19,642)	(7,677)
Total other financing sources	(11,965)	(11,965)	39,893	51,858
Net change in fund balance	(167,029)	(396,962)	53,828	450,790
Fund balance, beginning of year	337,427	337,427	337,427	-
Fund balance, end of year	\$ 170,398	\$ (59,535)	\$ 391,255	\$ 450,790

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

City of Groveland, Florida
Notes to Required Supplementary Information

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.

Budgetary basis of accounting

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

City of Groveland, Florida
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021

Federal Agency Pass-through Entity Federal Program	Assistance Listing No.	Grant Number/ Pass Through Entity Identifying Number	Expenditures	Transfers to Sub- recipients
Department of Housing and Urban Development <i>Passed through the Florida Department of Economic Opportunity</i>				
Community Development Block Grants State's Program and Non-Entitlement Grants	14.228	20DB-OO-06- 45-02-H 05	\$ 80,664	\$ -
<i>Total Department of Housing and Urban Development</i>			80,664	-
Department of Homeland Security Staffing for Adequate Fire and Emergency Response (SAFER)				
	97.083	EMW-2018- FH-00296	380,922	-
<i>Total Department of Homeland Security</i>			380,922	-
United States Department of Justice <i>Passed through the Florida Department of Law Enforcement</i>				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	2021-CESF-LAKE- 1-C9-037	28,621	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-JAGC-LAKE- 11-5R-105	4,480	-
<i>Total United States Department of Justice</i>			33,101	-
Department of the Treasury COVID-19 Coronavirus State and Local Fiscal Recovery Funds				
	21.027	Y5103	4,289,418	-
<i>Total Department of the Treasury</i>			4,289,418	-
<i>Total Expenditures of Federal Awards</i>			\$ 4,784,105	\$ -

City of Groveland, Florida
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2021

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal award activity and state award activity of the City of Groveland, Florida, under programs of the federal government and state government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Section 215.97, Florida Statutes. Because the Schedule presents only a selected portion of the operations of the City of Groveland, Florida, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Groveland, Florida.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited as to reimbursement.

C. SUBRECIPIENTS

The City of Groveland, Florida provided no federal awards to sub recipients in the fiscal year ended September 30, 2021.

D. INDIRECT COST RATE

The City of Groveland, Florida has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

E. NONCASH AWARDS

The City of Groveland, Florida received no noncash awards in the fiscal year ended September 30, 2021.

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

To the City Council
City of Groveland, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Groveland, Florida (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Groveland's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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.

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

Melbourne, Florida
June 30, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for the Major Federal Program

We have audited the City of Groveland, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2021. The City's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

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 the major federal program for the year ended September 30, 2021.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 federal program 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 material weaknesses or significant deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Melbourne, Florida
June 30, 2022

City of Groveland, Florida
Schedule of Findings and Questioned Costs

Section I—Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none noted

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none noted

Type of auditors’ report issued on compliance for major federal programs and state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a) of OMB Compliance Supplement and/or Chapter 10.554(1)(I)(4)? yes X none noted

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Federal Program or Cluster</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and B programs was \$750,000 for major federal programs.

Auditee qualified as a low-risk auditee for federal purposes? yes X no

City of Groveland, Florida Schedule of Findings and Questioned Costs

Section II – Financial Statement Findings

MW 2021-001 UNBILLED RECEIVABLES

Criteria: Unbilled service revenues should be accrued at the end of each annual (or interim) reporting period. Enterprise funds should recognize sales and service charges that are earned and measurable on the accrual basis of accounting, as required by GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 23. Thus, they recognize sales and service charge revenues in the period in which the revenues are earned, which normally is the period in which the service is provided or goods are shipped.

Condition: City management discovered during the year-end close process that the unbilled receivables were not accrued.

Cause: The City did not record the accrual at the end of the financial reporting period for the amount of revenue for services provided that had not yet been billed in the prior year.

Effect: Prior year unbilled accounts receivable were understated in the Water and Sewer System Fund and Sanitation Services Fund by \$514,491 and \$112,380, respectively.

Recommendation: Management should continue to accrue unbilled service revenues at the end of each financial reporting period in accordance with the accrual basis of accounting, as required by GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 23.

Management's Response: We concur and will continue to accrue unbilled service revenues at the end of each financial reporting period in accordance with the accrual basis of accounting.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section V – Prior Findings and Questioned Costs for Federal Awards and State Projects

MW 2020-001 Due from Other Governments

Status: Cleared

MW 2020-002 Capital Assets

Status: Cleared

MW 2020-003 Accounts Payable

Status: Cleared

City of Groveland, Florida
Schedule of Findings and Questioned Costs

MW 2020-004 Missing Documentation

Status: Cleared

MW 2020-005 Capital Leases

Status: Cleared

SD 2020-006 Census Data

Status: Cleared

SD 2020-011 Review of Payroll Timecards

U.S. Department of the Treasury
CFDA 21.019 – COVID-19 Coronavirus Relief Fund
Contract No. Y2287 (2020)
Passed Through Lake County, Florida

Status: Cleared



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INDEPENDENT AUDITORS’ MANAGEMENT LETTER

The Honorable Mayor and City Council
City of Groveland, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Groveland, Florida (the “City”) as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 30, 2022.

Auditors’ Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors’ Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants’ Reports 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 and schedule, which are dated June 30, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Prior Year Management Letter Comments:*

2020-001	Due from Other Governments	Corrected
2020-002	Capital Assets	Corrected
2020-003	Accounts Payable	Corrected
2020-004	Missing Documentation	Corrected
2020-005	Capital Leases	Corrected
2020-006	Census Data	Corrected

2020-007	Deteriorating Financial Condition	Corrected
2020-008	Payroll	Corrected
2020-009	Impact Fees	Corrected
2020-010	Review of Water and Sanitation Rates	Corrected
2020-011	Review of Payroll Timecards	Corrected

* The findings listed above originated in the fiscal year 2020 audit.

Official Title and Legal Authority

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

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

<u>Component Unit</u>	<u>Established by:</u>
Groveland Community Redevelopment Agency	City Ordinance

Financial Condition and Management

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

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

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

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

Purpose of this Letter

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

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

Melbourne, Florida
June 30, 2022



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

The Honorable Mayor and City Council
City of Groveland, Florida

We have examined the City of Groveland, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2021. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021.

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

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

Melbourne, Florida
June 30, 2022



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Groveland, FL 34736
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CORRECTIVE ACTION PLAN

The City of Groveland respectfully submits the following corrective action plan for the year ended September 30, 2021.

MW 2021-001 UNBILLED RECEIVABLES

Recommendation: Management should continue to accrue unbilled service revenues at the end of each financial reporting period in accordance with the accrual basis of accounting, as required by GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 23.

Management's Response: We concur and will continue to accrue unbilled service revenues at the end of each financial reporting period in accordance with the accrual basis of accounting.

Responsible Parties: Finance Director, Jo-Anne Drury
Anticipated Completion Date : 9/30/22