Annual Financial Report

September 30, 2018

Groveland
FLORIDA
City with Natural Charm™

City of Groveland, Florida

Introductory Section

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Elected Officials

Mayor	Evelyn Wilson
Vice-Mayor	Mike Radzik
City Council Members:	Dina Sweatt Mike Smith Jeff Shoobridge

City Officials

City Manager	Mike Hein
Finance Director	John Ter Louw
City Clerk	Virginia Wright
Legal Counsel	Anita Geraci-Carver
Public Works Director	Steve Guba
Chief of Police	Shawn Ramsey
Fire Chief	William M. Morgan, Jr.

Financial Section

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the *City of Groveland, Florida (the City)*, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and community redevelopment agency fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 6, 2019 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McDermit Davis & Company, LLC

Orlando, Florida
June 6, 2019

As management of the City of Groveland, we offer readers of the City of Groveland's financial statements this narrative overview and analysis of the financial activities of the City of Groveland for the fiscal year ended September 30, 2018.

Financial Highlights

- The assets of the City of Groveland exceeded its liabilities at the close of the most recent fiscal year by $68,220,694 (net position). Of this amount, $6,450,685 (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 $9,520,630 or 16.2%.

- As of the close of the current fiscal year, the City of Groveland's governmental funds reported combined ending fund balances of $18,086,328, with $1,368,314 in unassigned fund balance. Total unrestricted fund balance, which includes amounts assigned and committed by City Council, is $4,187,873, or 32.1% of total general fund expenditures.

- The City of Groveland's total debt decreased by $1,762,268 (-8.7%) during the current fiscal year. All required debt service payments were made.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

The City of Groveland adopts an annual appropriated budget for all governmental funds. Budgetary comparison statements have been provided for those funds to demonstrate budgetary compliance. Budgetary comparison statements have been provided for the General Fund and Community Redevelopment Agency to demonstrate compliance with this budget on pages 17-18.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 19-21 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 22-38 of this report.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Groveland, assets exceeded liabilities by $68,220,694 at the close of the most recent fiscal year.

Of the City of Groveland's net position, $47,346,540 (or 69.4%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related outstanding debt used to acquire those assets. The City of Groveland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Groveland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position that is subject to external restrictions as to how it may be used totals $14,423,469 (or 21.1%). The remaining balance of *unrestricted net position* $6,450,685 (or 9.5%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Statement of Net Position
As of September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	$ 23,502,179	$ 18,460,035	$ 13,722,276	$ 14,946,190	$ 37,224,455	$ 33,406,225
Capital assets	15,530,189	13,471,734	40,557,389	37,803,814	56,087,578	51,275,548
Total assets	39,032,368	31,931,769	54,279,665	52,750,004	93,312,033	84,681,773
Liabilities:						
Current liabilities	4,900,508	3,005,190	1,040,538	2,217,094	5,941,046	5,222,284
Long term liabilities	6,865,318	6,972,129	12,284,975	13,787,296	19,150,293	20,759,425
Total liabilities	11,765,826	9,977,319	13,325,513	16,004,390	25,091,339	25,981,709
Net Position:						
Net investment in capital assets	13,697,501	11,314,438	33,649,039	32,161,969	47,346,540	43,476,407
Restricted	9,378,004	7,759,839	5,045,465	3,284,053	14,423,469	11,043,892
Unrestricted	4,191,037	2,880,173	2,259,648	1,299,592	6,450,685	4,179,765
Total net position	$ 27,266,542	$ 21,954,450	$ 40,954,152	$ 36,745,614	$ 68,220,694	$ 58,700,064

Statement of Activities

The following table reflects the condensed Statement of Activities for the current and prior year. For more detailed information see the Statement of Activities on page 13.

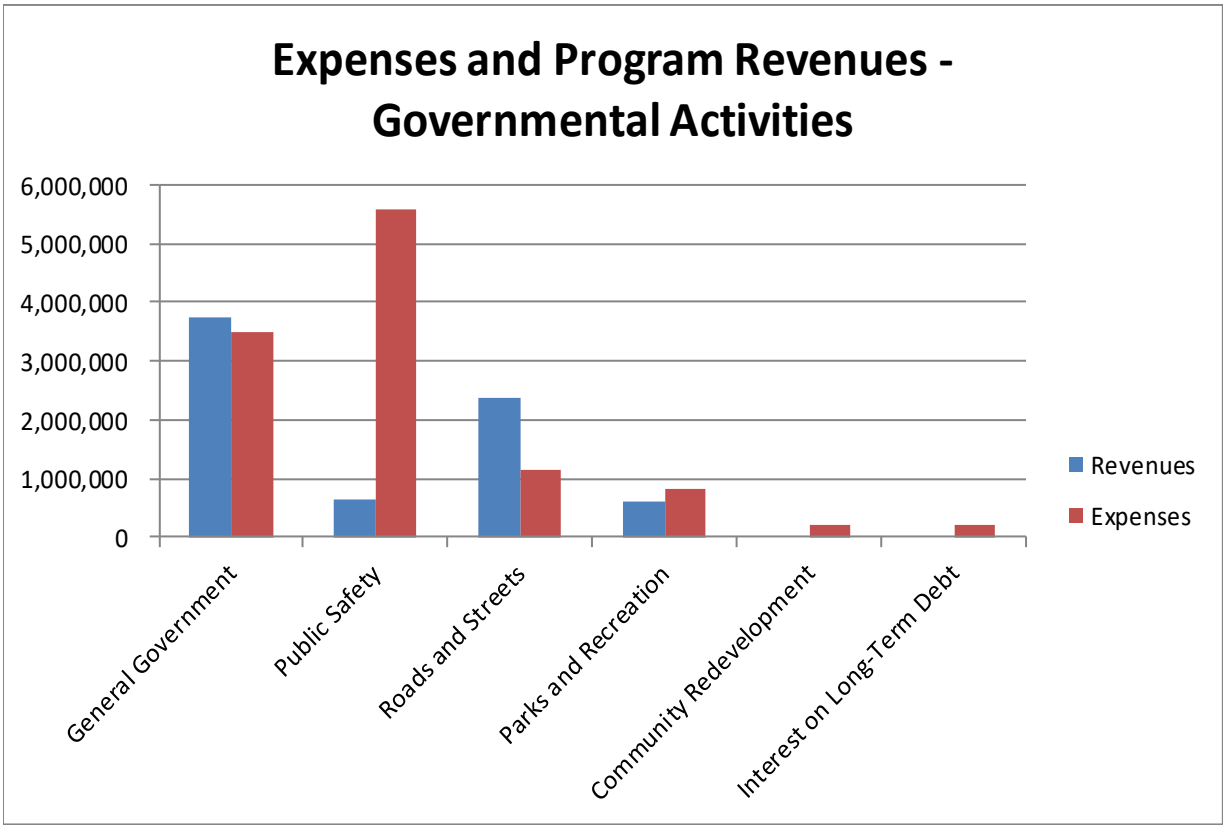
Note that the government's total net position increased by $9,520,630 or 16.2% in fiscal year 2018.

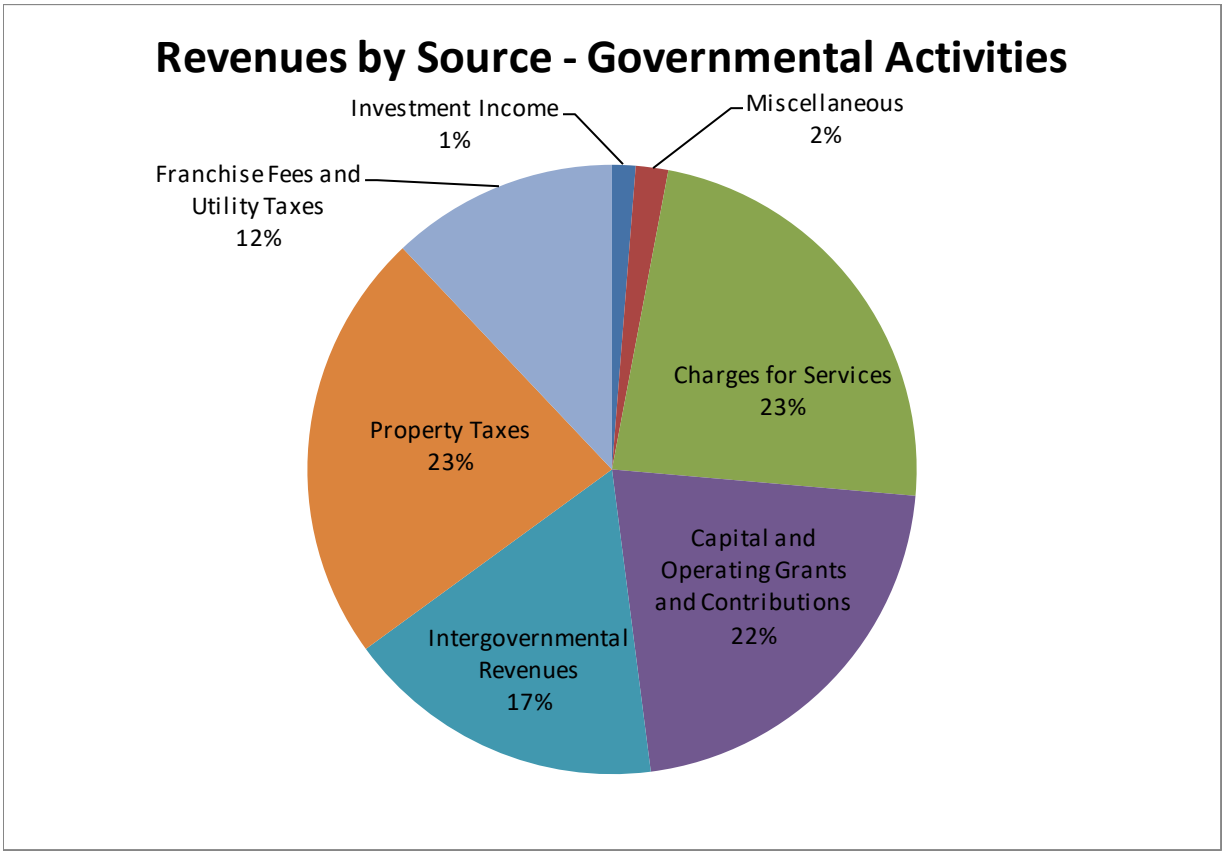
Governmental activities increased by $5,312,092 in fiscal year 2018 compared to an increase of $2,715,437 in 2017. Revenues increased by $4,368,606 from the previous year and total expenses increased by $2,146,951, resulting in an overall improvement of $2,596,655 from the prior year. Property taxes, utility taxes and intergovernmental revenues increased by $690,481. On the expense side, general government and public safety expenses increased $1,498,828.

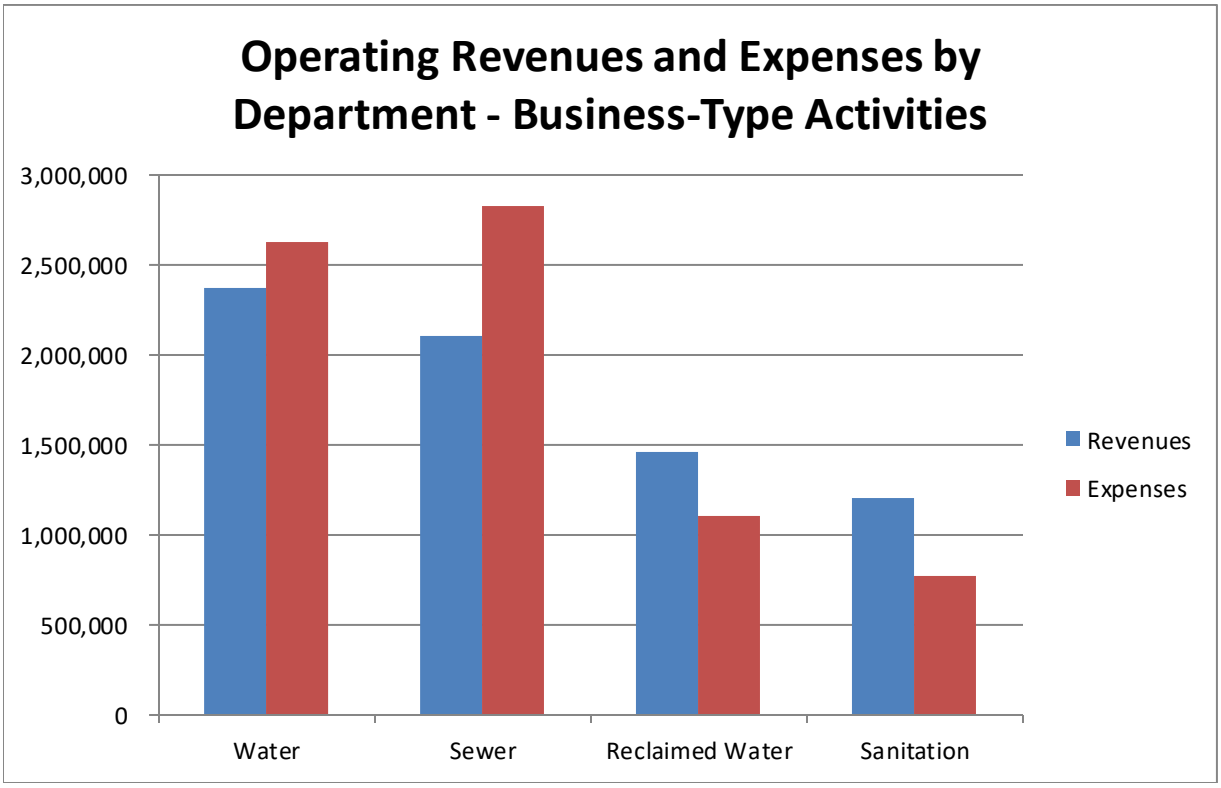
Business-type activities increased net position by $4,208,538 in fiscal year 2018 compared to an increase of $3,179,610 in 2017. This is primarily a result of an increase in capital grants and contributions.

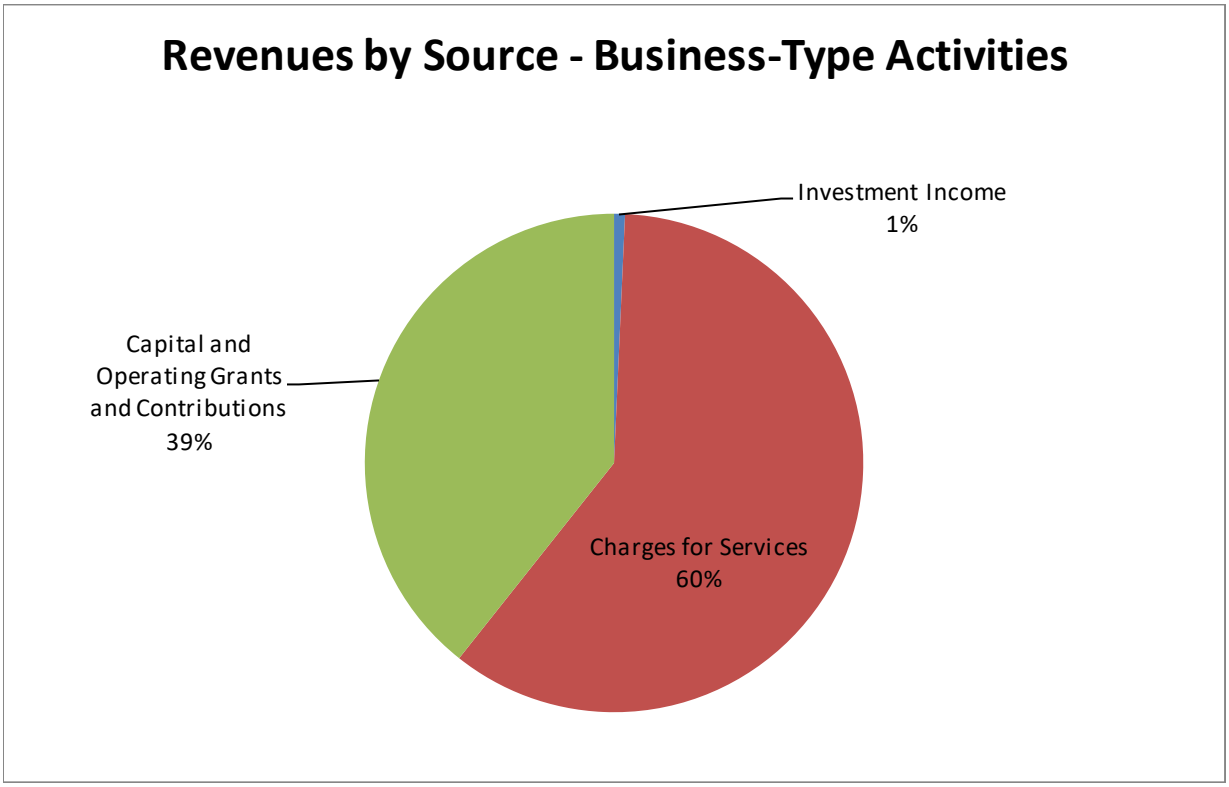
Changes in Net Position
For the Year Ended September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	$ 3,848,423	$ 2,680,593	$ 7,145,122	$ 6,799,151	$ 10,993,545	$ 9,479,744
Operating grants & contributions	228,189	191,639	-	-	228,189	191,639
Capital grants and contributions	3,318,440	1,100,790	4,686,204	2,508,530	8,004,644	3,609,320
General Revenues:						
Property taxes	3,774,862	3,437,814	-	-	3,774,862	3,437,814
Utility taxes and franchise fees	1,981,877	1,862,112	-	-	1,981,877	1,862,112
Intergovernmental - unrestricted	2,794,408	2,560,740	-	-	2,794,408	2,560,740
Unrestricted investment earnings	203,869	47,529	84,442	39,121	288,311	86,650
Miscellaneous	283,191	183,436	-	-	283,191	183,436
Total revenues	16,433,259	12,064,653	11,915,768	9,346,802	28,349,027	21,411,455
Expenses:						
General government	3,498,955	2,582,522	-	-	3,498,955	2,582,522
Public safety	5,589,323	5,006,928	-	-	5,589,323	5,006,928
Roads and streets	1,156,028	885,510	-	-	1,156,028	885,510
Parks and recreation	807,114	645,409	-	-	807,114	645,409
Community redevelopment	220,458	93,095	-	-	220,458	93,095
Interest on long-term debt	224,289	135,752	-	-	224,289	135,752
Water and sewer	-	-	6,559,535	5,461,457	6,559,535	5,461,457
Sanitation	-	-	772,695	705,735	772,695	705,735
Total expenses	11,496,167	9,349,216	7,332,230	6,167,192	18,828,397	15,516,408
Increase in Net Position Before Transfers	4,937,092	2,715,437	4,583,538	3,179,610	9,520,630	5,895,047
Transfers	375,000	-	(375,000)	-	-	-
Increase in net position	5,312,092	2,715,437	4,208,538	3,179,610	9,520,630	5,895,047
Net position, October 1	21,954,450	19,239,013	36,745,614	33,566,004	58,700,064	52,805,017
Net position, September 30	$ 27,266,542	$ 21,954,450	$ 40,954,152	$ 36,745,614	$ 68,220,694	$ 58,700,064


Expenses and Program Revenues - Governmental Activities
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
General Government
Public Safety
Roads and Streets
Parks and Recreation
Community Redevelopment
Interest on Long-Term Debt
Revenues
Expenses


Revenues by Source - Governmental Activities
Investment Income 1%
Miscellaneous 2%
Franchise Fees and Utility Taxes 12%
Charges for Services 23%
Property Taxes 23%
Capital and Operating Grants and Contributions 22%
Intergovernmental Revenues 17%


Operating Revenues and Expenses by Department - Business-Type Activities
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
Water
Sewer
Reclaimed Water
Sanitation
Revenues
Expenses


Revenues by Source - Business-Type Activities
Investment Income 1%
Capital and Operating Grants and Contributions 39%
Charges for Services 60%

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of September 30, 2018, the City of Groveland's governmental funds reported combined ending fund balances of $18,086,328, an increase of $2,499,677 from the prior year. Unassigned fund balance ($1,368,314) has increased, primarily due to increases in property, franchise and utility taxes. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed for such purposes as debt service, capital projects, community redevelopment, public safety, long term reserves, or appropriations for expenditure in 2019.

The general fund is the chief operating fund of the City of Groveland. At the end of the current fiscal year, unassigned fund balance of the General Fund was $1,368,314, while total fund balance was $17,285,481. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represent 10% and 132% respectively, of total General Fund expenditures. General fund revenues increased $2,540,991 over previous year and expenses increased $3,316,213, resulting in a reduction of $775,222 when compared to 2017. The increase in 2018 is mainly due to increased property tax, building permit revenues, and impact fees. Expenses increased in 2018 primarily due to increased capital outlay in public safety and general government. General fund balance increased $2,262,551.

Proprietary Funds

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

Unrestricted net position of the Water and Sewer Utility Fund at the end of the year amounted to $1,549,738 and total net position increased $4,273,536. Operating revenue increased by $247,732 or 4.2%, and operating expenses increased by $1,145,214 for a net operating result decrease of $897,492 and net operating loss of $208,539. The fund's change in net position was enhanced by impact fees of $1,746,780 and capital contributions of conveyed assets of $2,939,424, which is the primary reason for the overall increase.

Unrestricted net position of the Sanitation Fund at the end of the year amounted to $709,910 in its third year of operation. Net position decreased $64,998 after $500,000 in transfers out to other funds.

General Fund Budgetary Highlights

During the year revenues were more than budgetary estimates by $1,741,632, primarily due to higher than expected collections of licenses and permits of $495,877, franchise fees of $207,588, and impact fees of $438,562. Expenditures were less than budgetary estimates by $7,311,824 primarily as a result of a delayed start to certain planned capital projects.

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

Capital Asset and Debt Administration

Capital assets

The City of Groveland's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to $56,087,578 (net of accumulated depreciation), for an increase of $4,742,997 from the prior year. This investment in capital assets includes land, buildings, water system, infrastructure, improvements and equipment. The total increase in the City of Groveland's investment in capital assets for the current fiscal year was 9.4% (a 15.3% increase for governmental activities, and a 7.3% increase for business-type activities).

Major capital asset events included the following:

- Construction began on the new public safety complex
- Water, sewer and reclaimed water infrastructure upgrades were placed into service during the year.

Additional information on the City of Groveland's capital assets can be found in Note 6 on pages 31 - 32 of this report.

Capital Assets (Net of Depreciation)
As of September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	$ 7,884,780	$ 8,692,105	$ 1,160,332	$ 1,160,332	$ 9,045,112	$ 9,852,437
Buildings	769,179	846,245	2,993,944	100,728	3,763,123	946,973
Improvements/infrastructure	3,949,042	2,201,267	35,525,686	32,804,518	39,474,728	35,005,785
Machinery and equipment	2,440,312	1,720,114	771,853	708,063	3,212,165	2,428,177
Construction in progress	486,876	12,003	105,574	3,030,173	592,450	3,042,176
Total	$ 15,530,189	$ 13,471,734	$ 40,557,389	$ 37,803,814	$ 56,087,578	$ 51,275,548

Capital Asset and Debt Administration (Continued)

Long-Term Debt

At September 30, 2018, the City of Groveland had total debt outstanding of $18,549,113, a decrease of $1,762,268 from $20,311,381 at September 30, 2017.

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

Additional information on the City of Groveland's long-term debt can be found in Notes 7 and 8 on pages 33 - 36 of this report.

Long Term Debt
As of September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Water & Sewer Utility Revenue Bonds, Series 2007	$ -	$ -	$ 5,322,904	$ 5,423,258	$ 5,322,904	$ 5,423,258
State Revolving Fund Loan	-	-	494,305	569,643	494,305	569,643
Water & Sewer Revenue Notes, Series 2016	-	-	5,938,000	7,120,000	5,938,000	7,120,000
Capital Improvement Revenue Refunding Note, Series 2015	795,200	1,316,200	-	-	795,200	1,316,200
Capital Improvement Revenue Refunding Note, Series 2017	4,500,000	4,500,000	-	-	4,500,000	4,500,000
Capital Leases	1,057,939	785,487	162,179	160,212	1,220,118	945,699
Due to customer	-	-	278,586	436,581	278,586	436,581
Total	$ 6,353,139	$ 6,601,687	$ 12,195,974	$ 13,709,694	$ 18,549,113	$ 20,311,381

Requests for Information

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

Basic Financial Statements

City of Groveland, Florida
Statement of Net Position
September 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	$ 15,707,969	$ 2,166,545	$ 17,874,514
Investments	6,827,470	2,904,742	9,732,212
Receivables, net	931,719	485,043	1,416,762
Due from other governments	35,021	-	35,021
Restricted assets:			
Cash and cash equivalents	-	8,165,946	8,165,946
Capital assets (not being depreciated)	8,371,656	1,265,906	9,637,562
Capital assets (being depreciated net of accumulated depreciation)	7,158,533	39,291,483	46,450,016
Total Assets	39,032,368	54,279,665	93,312,033
Liabilities:			
Accounts payable and other current liabilities	974,324	287,059	1,261,383
Accrued interest payable	103,657	38,798	142,455
Due to other governmental agencies	3,822,527	-	3,822,527
Customer deposits payable	-	714,681	714,681
Noncurrent Liabilities:			
Due within one year:			
Due to customer	-	157,989	157,989
Compensated absences	51,218	8,900	60,118
Bonds, notes and capital leases	1,001,897	690,114	1,692,011
Due in more than one year:			
Due to customer	-	120,597	120,597
Compensated absences	460,961	80,101	541,062
Bonds, notes and capital leases	5,351,242	11,227,274	16,578,516
Total liabilities	11,765,826	13,325,513	25,091,339
Net Position:			
Net investment in capital assets	13,697,501	33,649,039	47,346,540
Restricted for:			
Debt service	-	721,270	721,270
System expansion	-	4,324,195	4,324,195
Community redevelopment	800,847	-	800,847
Infrastructure	2,307,412	-	2,307,412
Impact fees	3,195,995	-	3,195,995
Building department	3,020,168	-	3,020,168
Public safety	53,582	-	53,582
Unrestricted	4,191,037	2,259,648	6,450,685
Total net position	$ 27,266,542	$ 40,954,152	$ 68,220,694

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

City of Groveland
Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs:	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Governmental activities:							
General government	$ 3,498,955	$ 3,751,769	$ -	$ -	$ 252,814	$ -	$ 252,814
Public safety	5,589,323	87,194	-	571,272	(4,930,857)	-	(4,930,857)
Roads and streets	1,156,028	-	228,189	2,153,768	1,225,929	-	1,225,929
Parks and recreation	807,114	9,460	-	593,400	(204,254)	-	(204,254)
Community redevelopment	220,458	-	-	-	(220,458)	-	(220,458)
Interest on long-term debt	224,289	-	-	-	(224,289)	-	(224,289)
Total governmental activities	11,496,167	3,848,423	228,189	3,318,440	(4,101,115)	-	(4,101,115)
Business-type activities:							
Water and sewer	6,559,535	5,940,342	-	4,686,204	-	4,067,011	4,067,011
Sanitation	772,695	1,204,780	-	-	-	432,085	432,085
Total business-type activities	7,332,230	7,145,122	-	4,686,204	-	4,499,096	4,499,096
Total primary government	$ 18,828,397	$ 10,993,545	$ 228,189	$ 8,004,644	(4,101,115)	4,499,096	397,981
General Revenues:							
Property taxes					3,774,862	-	3,774,862
Franchise fees and utility taxes					1,981,877	-	1,981,877
Intergovernmental-unrestricted					2,794,408	-	2,794,408
Unrestricted investment earnings					203,869	84,442	288,311
Miscellaneous					283,191	-	283,191
Transfers					375,000	(375,000)	-
Total general revenues					9,413,207	(290,558)	9,122,649
Change in net position					5,312,092	4,208,538	9,520,630
Net position, beginning					21,954,450	36,745,614	58,700,064
Net position, ending					$ 27,266,542	$ 40,954,152	$ 68,220,694

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

City of Groveland, Florida
Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Community Redevelopment Agency	Total Governmental Funds
Assets:			
Cash and cash equivalents	$ 14,885,067	$ 822,902	$ 15,707,969
Investments	6,827,470	-	6,827,470
Receivables, net	931,719	-	931,719
Due from other governments	35,021	-	35,021
Total assets	$ 22,679,277	$ 822,902	$ 23,502,179
Liabilities, Deferred Inflows, and Fund Balances:			
Accounts payable	$ 705,729	$ 17,152	$ 722,881
Accrued liabilities	246,540	4,903	251,443
Due to other governments	3,822,527	-	3,822,527
Total liabilities	4,774,796	22,055	4,796,851
Deferred Inflows of Resources:			
Unavailable revenue	619,000	-	619,000
Total deferred inflows of resources	619,000	-	619,000
Fund Balances:			
Spendable:			
Restricted	13,097,608	800,847	13,898,455
Committed	1,644,456	-	1,644,456
Assigned	1,175,103	-	1,175,103
Unassigned	1,368,314	-	1,368,314
Total fund balances	17,285,481	800,847	18,086,328
Total liabilities, fund balances, and deferred inflows	$ 22,679,277	$ 822,902	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	15,530,189
Accrued interest payable is not due in the current period and therefore is not reported in the funds.	(103,657)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	619,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,865,318)
Net position of governmental activities	$ 27,266,542

City of Groveland, Florida

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

For the Year Ended September 30, 2018

	General Fund	Community Redevelopment Agency	Total Governmental Funds
Revenues:			
Taxes:			
Property taxes	$ 3,326,682	$ 448,180	$ 3,774,862
Franchise and utility taxes	1,981,877	-	1,981,877
Licenses and permits	2,887,577	-	2,887,577
Intergovernmental revenues	3,179,391	-	3,179,391
Charges for services	877,910	-	877,910
Fines and forfeitures	82,936	-	82,936
Impact fees	1,295,362	-	1,295,362
Investment income	203,869	-	203,869
Miscellaneous	221,816	61,375	283,191
Total revenues	14,057,420	509,555	14,566,975
Expenditures:			
Current:			
General government	3,526,265	-	3,526,265
Public safety	6,024,000	-	6,024,000
Roads and streets	1,267,988	-	1,267,988
Community redevelopment	-	272,429	272,429
Parks and recreation	940,930	-	940,930
Debt service:			
Principal	1,140,624	-	1,140,624
Interest and fiscal charges	162,138	-	162,138
Total expenditures	13,061,945	272,429	13,334,374
Excess (deficiency) of revenues over expenditures	995,475	237,126	1,232,601
Other Financing Sources (Uses):			
Transfers in	375,000	-	375,000
Capital leases	892,076	-	892,076
Total other financing sources (uses)	1,267,076	-	1,267,076
Net change in fund balances	2,262,551	237,126	2,499,677
Fund balances, beginning	15,022,930	563,721	15,586,651
Fund balances, ending	$ 17,285,481	$ 800,847	$ 18,086,328

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

City of Groveland, Florida

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

For the Year Ended September 30, 2018

Net Change in Fund Balances - Total Governmental Funds:		$ 2,499,677
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	$ 1,931,422	
Less: Depreciation expense	(992,962)	938,460
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Capital leases	$ (892,076)	
Principal payments	1,140,624	248,548
Contributions of capital assets are not reported as revenues in the governmental funds		1,927,320
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.		(151,336)
In the statement of activities, only the loss on the sale of capital assets is 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 balance by the cost of the capital assets sold.		(36,989)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in long-term compensated absences	$ (141,737)	
Change in accrued interest	(62,151)	(203,888)
Earned impact fees reported in the statement of activities do not provide current financial resources and, therefore, are not reported in governmental funds.		90,300
Change in net position of governmental activities:		$ 5,312,092

City of Groveland, Florida

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and impact fees	$ 3,554,172	$ 3,554,172	$ 3,326,682	$ (227,490)
Franchise and utility taxes	1,774,289	1,774,289	1,981,877	207,588
Licenses and permits	1,827,200	2,391,700	2,887,577	495,877
Intergovernmental revenues	2,849,677	2,849,677	3,179,391	329,714
Charges for services	595,000	595,000	877,910	282,910
Fines and forfeitures	170,000	170,000	82,936	(87,064)
Impact fees	856,800	856,800	1,295,362	438,562
Investment income	35,000	35,000	203,869	168,869
Miscellaneous	89,150	89,150	221,816	132,666
Total revenues	11,751,288	12,315,788	14,057,420	1,741,632
Expenditures:				
Current:				
General government	3,190,117	3,734,112	3,526,265	207,847
Public safety	10,982,884	10,470,908	5,336,586	5,134,322
Roads and streets	1,216,525	1,106,966	1,104,374	2,592
Parks and recreation	2,987,571	2,969,198	899,882	2,069,316
Debt Service:				
Principal	517,000	1,136,624	1,140,624	(4,000)
Interest	23,096	63,885	162,138	(98,253)
Total expenditures	18,917,193	19,481,693	12,169,869	7,311,824
Excess (deficiency) of revenues over expenditures	(7,165,905)	(7,165,905)	1,887,551	9,053,456
Other Financing Sources (Uses):				
Transfers in	300,000	300,000	375,000	75,000
Transfers out	(419,225)	(419,225)	-	419,225
Total other financing sources (uses)	(119,225)	(119,225)	375,000	494,225
Net change in fund balance	(7,285,130)	(7,285,130)	2,262,551	9,547,681
Fund balance, beginning	15,022,930	15,022,930	15,022,930	-
Fund balance, ending	$ 7,737,800	$ 7,737,800	$ 17,285,481	$ 9,547,681

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

City of Groveland, Florida

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Community Redevelopment Agency Fund

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and impact fees	$ 428,827	$ 428,827	$ 448,180	$ 19,353
Miscellaneous	31,000	31,000	61,375	30,375
Total revenues	459,827	459,827	509,555	49,728
Expenditures:				
Current:				
Community redevelopment	1,037,820	1,037,820	272,429	765,391
Total expenditures	1,037,820	1,037,820	272,429	765,391
Excess (deficiency) of revenues over expenditures	(577,993)	(577,993)	237,126	815,119
Net change in fund balance	(577,993)	(577,993)	237,126	815,119
Fund balance, beginning	563,721	563,721	563,721	-
Fund balance, ending	$ (14,272)	$ (14,272)	$ 800,847	$ 815,119

City of Groveland, Florida
Statement of Net Position
Proprietary Funds
September 30, 2018

	Water and Sewer Fund	Sanitation Fund	Total
Assets:			
Current assets:			
Cash and cash equivalents	$ 1,495,733	$ 670,812	$ 2,166,545
Restricted cash	8,165,946	-	8,165,946
Investments	2,904,742	-	2,904,742
Receivables, net	378,807	106,236	485,043
Total current assets	12,945,228	777,048	13,722,276
Noncurrent assets:			
Capital assets:			
Land	1,160,332	-	1,160,332
Infrastructure	53,453,352	-	53,453,352
Buildings and improvements	3,436,854	-	3,436,854
Equipment	2,327,715	-	2,327,715
Construction in progress	105,574	-	105,574
Less accumulated depreciation	(19,926,438)	-	(19,926,438)
Total capital assets (net of depreciation)	40,557,389	-	40,557,389
Total noncurrent assets	40,557,389	-	40,557,389
Total assets	53,502,617	777,048	54,279,665
Liabilities:			
Current Liabilities:			
Accounts payable and accrued liabilities	219,921	67,138	287,059
Accrued interest payable	38,798	-	38,798
Customer deposits payable	714,681	-	714,681
Due to customer	157,989	-	157,989
Compensated absences	8,900	-	8,900
Capital lease payable	64,370	-	64,370
Notes payable	521,250	-	521,250
Bonds payable	104,494	-	104,494
Total current liabilities	1,830,403	67,138	1,897,541
Noncurrent liabilities:			
Due to customer	120,597	-	120,597
Compensated absences	80,101	-	80,101
Capital lease payable	97,809	-	97,809
Notes payable	5,911,055	-	5,911,055
Bonds payable	5,218,410	-	5,218,410
Total noncurrent liabilities	11,427,972	-	11,427,972
Total liabilities	13,258,375	67,138	13,325,513
Net Position:			
Net investment in capital assets	33,649,039	-	33,649,039
Restricted for debt service	721,270	-	721,270
Restricted for system expansion	4,324,195	-	4,324,195
Unrestricted	1,549,738	709,910	2,259,648
Total net position	$ 40,244,242	$ 709,910	$ 40,954,152

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

City of Groveland, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Fund
For the Year Ended September 30, 2018

	Water and Sewer Fund	Sanitation Fund	Total
Operating Revenues:			
Charges for services	$ 5,936,721	$ 1,204,780	$ 7,141,501
Misc operating revenues	3,621	-	3,621
Total operating revenues	5,940,342	1,204,780	7,145,122
Operating Expenses:			
Personal services	1,616,612	-	1,616,612
Contract services	13,846	772,695	786,541
Utilities	475,789	-	475,789
Insurance claims and expenses	221,658	-	221,658
Depreciation and amortization	1,823,931	-	1,823,931
Other operating expenses	1,254,614	-	1,254,614
Repairs and maintenance	742,431	-	742,431
Total operating expenses	6,148,881	772,695	6,921,576
Operating income	(208,539)	432,085	223,546
Nonoperating Revenue (Expenses):			
Investment income	81,525	2,917	84,442
Interest expense	(410,654)	-	(410,654)
Total nonoperating revenue (expenses)	(329,129)	2,917	(326,212)
Income before contributions and transfers	(537,668)	435,002	(102,666)
Capital Contributions:			
Impact fees	1,746,780	-	1,746,780
Capital contributions	2,939,424	-	2,939,424
Transfers in	125,000	-	125,000
Transfers out	-	(500,000)	(500,000)
Change in net position	4,273,536	(64,998)	4,208,538
Net position, beginning	35,970,706	774,908	36,745,614
Net position, ending	$ 40,244,242	$ 709,910	$ 40,954,152

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

City of Groveland, Florida
Statement of Cash Flows
Proprietary Funds
For The Year Ended September 30, 2018

	Water and Sewer Fund	Sanitation Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	$ 6,300,109	$ 1,188,934	$ 7,489,043
Payments to suppliers	(3,932,335)	(759,611)	(4,691,946)
Payments to employees	(1,604,706)	-	(1,604,706)
Net cash provided by operating activities	763,068	429,323	1,192,391
Cash Flows from Non-Capital Financing Activities:			
Transfers in	125,000	-	125,000
Transfers out	-	(500,000)	(500,000)
Net cash provided by non-capital financing activities	125,000	(500,000)	(375,000)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from revenue bonds, notes and leases	66,913	-	66,913
Acquisition of capital assets	(1,638,082)	-	(1,638,082)
Principal paid on revenue bonds, notes and leases	(1,422,638)	-	(1,422,638)
Interest paid on revenue bonds, notes and leases	(416,449)	-	(416,449)
Impact fees	1,746,780	-	1,746,780
Net cash used by capital and related financing activities	(1,663,476)	-	(1,663,476)
Cash Flows from Investing Activities:			
Purchase of investments	(51,715)	-	(51,715)
Investment income	81,525	2,917	84,442
Net cash used by investing activities	29,810	2,917	32,727
Net increase (decrease) in cash and cash equivalents	(745,598)	(67,760)	(813,358)
Cash and cash equivalents, beginning	10,407,277	738,572	11,145,849
Cash and cash equivalents, end	$ 9,661,679	$ 670,812	$ 10,332,491
Classified as:			
Cash and cash equivalents	$ 1,495,733	$ 670,812	$ 2,166,545
Restricted cash and cash equivalents	8,165,946	-	8,165,946
Total	$ 9,661,679	$ 670,812	$ 10,332,491
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	$ (208,539)	$ 432,085	$ 223,546
Adjustments Not Affecting Cash:			
Depreciation and amortization	1,823,931	-	1,823,931
Change in Assets and Liabilities:			
Decrease (increase) in accounts receivable	25,552	(15,846)	9,706
Decrease (increase) in due from other governments	442,330	-	442,330
Decrease (increase) in prepaid costs	9,679	-	9,679
Increase (decrease) in accounts payable and accrued liabilities	(1,233,169)	13,084	(1,220,085)
Increase (decrease) in customer deposits	49,880	-	49,880
Increase (decrease) in compensated absences	11,399	-	11,399
Increase (decrease) in due to customer	(157,995)		(157,995)
Total adjustments	(852,324)	(2,762)	(855,086)
Net Cash Provided By Operating Activities	$ 763,068	$ 429,323	$ 1,192,391
Noncash Capital and Financing Activities:			
Contributed capital assets	$ 2,939,424	$ -	$ 2,939,424

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

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

The City of Groveland Community Redevelopment Fund

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

Government-Wide and Fund Financial Statements

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The government reports the following funds:

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

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

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

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

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

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

Deposits and Investments

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

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

Receivables and Payables

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

Assets	Years
Buildings	40
Improvements other than buildings	25-40
Water and sewer systems	25-40
Equipment	5-15

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any item that qualifies for reporting in this category for the year ended September 30, 2018.

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 item that qualifies for reporting in this category, unavailable revenues in the general fund.

Net Position Flow Assumptions

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

Fund Balance Flow Assumptions

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Policies

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

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

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

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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.

Excess of Expenditures Over Appropriations

For the year ended September 30, 2018, expenditures exceeded appropriations in the debt service department of the general fund by $102,253.

Appropriations in Excess of Available Fund Balance

For the year ended September 30, 2018, budgetary appropriations in the community redevelopment agency fund exceeded anticipated revenues and available fund balance.

Budgetary Basis of Accounting

The City includes a portion of the prior year's fund balances represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior periods' excess of revenues over expenditures. Additionally, the City does not budget for noncash capital lease financing transactions, which are required to be reported under GAAP as other financing sources and expenditures.

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For the fiscal year ended September 30, 2018, the following adjustments are necessary to convert general fund revenues and expenditures on the GAAP basis to the budgetary basis:

	Expenditures	Other Financing Sources
GAAP basis	$ 13,061,945	$ 1,267,076
Nonbudgeted capital lease transactions	(892,076)	(892,076)
Budgetary basis	$ 12,169,869	$ 375,000

NOTE 4 CASH AND INVESTMENTS

Deposits
The City's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

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

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

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

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

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Investments made by the *City of Groveland* at September 30, 2018 are summarized below. In accordance with GASB Statement No. 31, investments are reported at fair value, except for the investments in the SBA and certificates of deposit, which are carried at amortized cost which approximates fair value.

Investment Type		Fair Value	Credit Rating	Weighted Average Maturity
Certificates of Deposit	$	2,388,144	Unrated	275 days
Florida SAFE Stable NAV Fund		7,096,783	AAAm	51 days
Florida Prime		247,285	AAAm	33 days
	$	9,732,212		

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

Custodial Credit Risk
In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2018, all of the city's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2018, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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

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

NOTE 5 RECEIVABLES

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

	General Fund	Water and Sewer Fund	Sanitation Fund	Total
Receivables:				
Accounts	$ 931,719	$ 444,567	$ 106,236	$ 1,482,522
Less allowance for uncollectible accounts	-	(65,760)	-	(65,760)
	$ 931,719	$ 378,807	$ 106,236	$ 1,416,762

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 8,692,105	$ -	$ (807,325)	$ 7,884,780
Construction in progress	12,003	574,591	(99,718)	486,876
Total capital assets, not being depreciated	8,704,108	574,591	(907,043)	8,371,656
Capital Assets, being depreciated:				
Buildings	1,973,669	-	-	1,973,669
Improvements/infrastructure	8,887,636	2,065,003	(123,884)	10,828,755
Machinery and equipment	4,892,342	1,318,866	-	6,211,208
Total capital assets being depreciated	15,753,647	3,383,869	(123,884)	19,013,632
Less Accumulated Depreciation for:				
Buildings	(1,127,424)	(77,066)	-	(1,204,490)
Improvements/infrastructure	(6,686,369)	(317,228)	123,884	(6,879,713)
Machinery and equipment	(3,172,228)	(598,668)	-	(3,770,896)
Total accumulated depreciation	(10,986,021)	(992,962)	123,884	(11,855,099)
Total capital assets being depreciated, net	4,767,626	2,390,907	-	7,158,533
Governmental activities capital assets, net	$ 13,471,734	$ 2,965,498	$ (907,043)	$ 15,530,189

NOTE 6 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital Assets, not being depreciated:				
Land	$ 1,160,332	$ -	$ -	$ 1,160,332
Construction in progress	3,030,173	1,433,111	(4,357,710)	105,574
Total capital assets, not being depreciated	4,190,505	1,433,111	(4,357,710)	1,265,906
Capital Assets, being depreciated:				
Buildings and improvements	358,476	3,078,378	-	3,436,854
Water system	14,455,691	1,670,546	-	16,126,237
Sewer system	31,443,256	1,940,689	-	33,383,945
Reclaimed water system	3,335,648	607,522	-	3,943,170
Machinery and equipment	2,122,745	204,970	-	2,327,715
Total capital assets being depreciated	51,715,816	7,502,105	-	59,217,921
Less Accumulated Depreciation for:				
Buildings and improvements	(257,748)	(185,162)	-	(442,910)
Water system	(5,457,097)	(506,841)	-	(5,963,938)
Sewer system	(10,649,649)	(880,766)	-	(11,530,415)
Reclaimed water system	(323,331)	(109,982)	-	(433,313)
Machinery and equipment	(1,414,682)	(141,180)	-	(1,555,862)
Total accumulated depreciation	(18,102,507)	(1,823,931)	-	(19,926,438)
Total capital assets being depreciated, net	33,613,309	5,678,174	-	39,291,483
Business-type activities capital assets, net	$ 37,803,814	$ 7,111,285	$ (4,357,710)	$ 40,557,389

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 91,731
Public safety	465,222
Roads and streets	270,723
Community redevelopment	13,180
Parks and recreation	152,106
Total depreciation expense, governmental activities	$ 992,962
Business-type activities	
Water and sewer	$ 1,823,931

NOTE 7 LEASES

Capital Leases

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

Assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets		
Machinery & equipment	$ 2,387,656	$ 330,234
Less: accumulated depreciation	(1,082,821)	(163,239)
Total	$ 1,304,835	$ 166,995

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

	Governmental Activities	Business-type Activities
Year Ending September 30		
2019	$ 543,849	$ 74,622
2020	303,348	74,634
2021	180,461	17,045
2022	177,727	15,261
Total minimum lease payments	1,205,385	181,562
Less: Amount representing interest	(147,446)	(19,383)
	$ 1,057,939	$ 162,179

NOTE 8 LONG-TERM DEBT

Bonds Payable

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

The 2007 Water and Sewer Revenue Bonds are secured by net revenue of the water and sewer system and excise taxes collected. The total principal and interest remaining to be paid on this series is $9,073,773. For the fiscal year, principal and interest paid on this series was $324,064 and total pledged revenue was $3,362,172.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Revenue bonds currently outstanding are as follows:

Business-Type Activities	Interest Rates and Dates	Initial & Final Maturity	Original Amount	Balance September 30, 2018
Water and sewer Revenue bonds, Series 2007 A & B	4.125% (9/1)	9/1/2007 to 9/1/2046	$ 6,248,000	5,322,904
				$ 5,322,904

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

Year ending September 30,	Business - Type Activities Principal	Interest
2019	104,494	219,570
2020	108,804	215,259
2021	113,292	210,771
2022	117,965	206,098
2023	122,831	201,232
2024 - 2028	694,471	925,846
2029 - 2033	850,020	770,297
2034 - 2038	1,040,409	579,908
2039 - 2043	1,273,442	346,875
2044 - 2046	897,176	75,012
Total	$ 5,322,904	$ 3,750,868

Notes Payable

The Capital Improvement Revenue Refunding Note, Series 2015, is secured by the public services tax, the half-cent sales tax and franchise fees. The total principal and interest remaining to be paid on this series is $805,960. For the fiscal year, principal and interest paid on this series was $537,014, and total pledged revenues were $2,519,639.

The Capital Improvement Revenue Note, Series 2017, is secured by the public services tax, the half-cent sales tax and franchise fees, on parity with the CIRRN, Series 2015. The total principal and interest remaining to be paid is $5,014,990. For the fiscal year, no principal was paid and interest paid was $105,081, and total pledged revenues were $2,519,639.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes payable for governmental activities are as follows:

Governmental Activities	Interest Rate and Dates	Initial & Final Maturity	Original Amount	Balance September 30, 2018
Capital improvement Revenue refunding note Series 2015	1.350% (10/1, 4/1)	10/1/2015 to 10/1/2019	$ 2,172,700	$ 795,200
Capital improvement Revenue note Series 2017	2.150% (10/1, 4/1)	4/1/2020 to 4/1/2027	$ 4,500,000	4,500,000
				$ 5,295,200

The City entered into the State Revolving Loan Agreement CS12038507P for the purpose of constructing clean water improvements. The loan is secured by gross revenues of the water and sewer utility after payment of operation and maintenance costs and senior debt obligations. Total interest and principal remaining to be paid on the loan is $535,699. For the fiscal year, principal and interest of $89,216 was paid on the note and total pledged revenue was $3,119,633.

The Water and Sewer Revenue Notes, Series 2016 A, B, and C, are secured by net revenue of the water and sewer system after payment of senior debt obligations. Additionally, the Series C note is also secured by certain grant revenues, none of which were recognized during the year ended September 30, 2018. The total principal and interest remaining to be paid on this series is $6,946,272. For the fiscal year, principal and interest of $1,357,936 was paid on the notes and total pledged revenue was $3,030,417.

Notes payable for business-type activities are as follows:

Business-Type Activities	Interest Rates and Dates	Initial & Final Maturity	Original Amount	Balance September 30, 2018
State revolving loan CS12038507P	(3/15, 9/15) 3.160%	3/15/2005 9/15/2025	$ 1,370,375	$ 494,305
Water and sewer Revenue notes,	(9/1)	9/1/2016 9/1/2030		
Refunding Series 2016 A	2.550%		$ 1,927,000	
Series 2016 B	2.550%		$ 5,000,000	
Series 2016 C	1.800%		$ 2,000,000	5,938,000
				$ 6,432,305

NOTE 8 LONG-TERM DEBT (CONTINUED)

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

Year ending	Governmental Activities		Business - Type Activities	
September 30,	Principal	Interest	Principal	Interest
2018	$ 528,000	$ 105,707	$ 521,250	$ 163,385
2019	556,200	95,447	534,210	150,105
2020	564,000	84,474	547,219	136,492
2021	576,000	72,219	561,279	122,550
2022	588,000	59,706	576,392	108,247
2023 - 2027	2,483,000	108,199	2,669,954	329,617
2028 - 2032	-	-	1,022,001	39,270
Total	$ 5,295,200	$ 525,752	$ 6,432,305	$ 1,049,666

Due to Customer

The City was unsuccessful in challenging the issuance of a consumptive use permit by the St. John's River Water Management District to Niagara Bottling Company, LLC. (Niagara) during the year ending September 30, 2009. Niagara filed motions to recover attorneys' fees against the City as allowed under Florida state statues. A settlement agreement was entered into January 5, 2011 which grants Niagara a credit of $1.24 million towards sewer-utility payments. As of September 30, 2018, Niagara had a credit of $278,586 which is reported as Due to Customer in the financial statements.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Revenue notes payable	$ 5,816,200	$ -	$ (521,000)	$ 5,295,200	$ 528,000
Capital lease	785,487	892,076	(619,624)	1,057,939	473,897
Compensated absences	370,442	248,136	(106,399)	512,179	51,218
Governmental activity long-term liabilities	$ 6,972,129	$ 1,140,212	$ (1,247,023)	$ 6,865,318	$ 1,053,115
Business-type Activities					
Bonds payable,					
Revenue bonds	$ 5,423,258	$ -	$ (100,354)	$ 5,322,904	$ 104,494
Notes payable,					
Revenue notes	7,120,000	-	(1,182,000)	5,938,000	444,000
State revolving loan	569,643	-	(75,338)	494,305	77,250
Capital lease	160,212	66,913	(64,946)	162,179	64,370
Due to customer	436,581	-	(157,995)	278,586	157,989
Compensated absences	77,602	56,948	(45,549)	89,001	8,900
Business-type activity long-term liabilities	$ 13,787,296	$ 123,861	$ (1,626,182)	$ 12,284,975	$ 857,003
Total of all activities	$ 20,759,425	$ 1,264,073	$ (2,873,205)	$ 19,150,293	$ 1,910,118

NOTE 9 RETIREMENT PLANS

The City has established the City of Groveland, Florida 457(b) Retirement Plan, which is a defined contribution plan established to provide benefits at retirement for all employees with more than one year of service. At September 30, 2018, there were 117 participants. The City is required to contribute 4% of eligible compensation and match 100% of employee contributions up to 3% of total eligible compensation. Employees vest in the employer contribution ratably over the 5 year period following eligibility. Plan provisions and contribution requirements are established and may be amended by the City Council. City contributions to the plan were $266,961 for the fiscal year ended September 30, 2018.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS

Effective May 15, 2017, the City has elected not to make continuation of group health insurance through the City's Current provider available to retirees. Accordingly, the City has recorded no liability for other post employment benefits.

NOTE 11 RISK MANAGEMENT

The City is a member of Public Risk Management of Florida (the pool), a local government liability risk pool. The pool administers insurance activities relating to property, general liability, police, professional, automobile liability, public officials' liability, workers' compensation, and boiler and machinery. The pool absorbs losses up to a specified amount for each pool year and purchases excess and other specific coverage's from third-party carriers. The pool assesses each member its pro rata share of the estimated amount required to meet current year losses and operating expenses. If total member assessments do not produce sufficient funds to meet its obligations, the pool can make additional limited assessments. Losses, if any, in excess of the pools ability to assess its members would revert back to the member that incurred the loss. There has been no significant reduction in insurance coverage from the prior year, and no settlements in excess of insurance coverage in any of the prior three years. There were no additional assessments levied against the City for the fiscal year ended September 30, 2018. The cost of the insurance is allocated among the appropriate departments and funds.

NOTE 12 COMMITMENTS AND CONTINGENCIES

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

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2018. 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.

NOTE 13 FUND BALANCE

	General Fund	Community Redevelopment Fund	Total
Fund Balances			
Restricted for:			
Community redevelopment	$ -	$ 800,847	$ 800,847
Capital projects	4,520,451	-	4,520,451
Infrastructure	2,307,412	-	2,307,412
Building department	3,020,168	-	3,020,168
Public safety	53,582	-	53,582
Impact fees	3,195,995	-	3,195,995
Committed for:			
Parking	20,083	-	20,083
General sinking fund	1,624,373	-	1,624,373
Assigned for:			
Subsequent expenditures	1,175,103	-	1,175,103
Unassigned	1,368,314	-	1,368,314
	$ 17,285,481	$ 800,847	$ 18,086,328

NOTE 14 SUBSEQUENT EVENTS

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

Other Reports

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

Honorable Mayor and City Council
City of Groveland, *Florida*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Groveland as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Groveland's basic financial statements, and have issued our report thereon dated June 6, 2019.

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

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

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether City of Groveland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed other matters that are required to be reported under *Government Auditing Standards;* and which is described in the accompanying letter to management dated June 6, 2019.

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

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

McDermit Davis & Company, LLC

Orlando, Florida
June 6, 2019

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Groveland, Florida

Report on the Financial Statement
We have audited the financial statements of the City of *Groveland*, *Florida*, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 6, 2019.

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

Other Reports
We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 6, 2019, should be considered in conjunction with this management letter.

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

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

Financial Condition and Management
Section 10.554(1)(i)5.a. and 10.566(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 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Groveland, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Additional Matters

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

Purpose of this Letter

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

McDermit Davis & Company, LLC

Orlando, Florida
June 6, 2019

ML 18-1-Controls Over Long-Term Obligations

Criteria - Effective financial oversight of the City requires an understanding and approval of all long term commitments and obligations entered into by the City.

Condition - Capital leases with a term greater than one year were entered into without Council consent or acknowledgement.

Cause - Budgetary appropriations in excess of anticipated spending used to obligate the City to long term capital leases without specific Council approval.

Effect - The City can be obligated for payments or other requirements in future years which were not approved by Council.

Recommendation - We recommend the City establish policy to require notice and obtain consent from Council for all multiple year agreements over an appropriate dollar threshold to be set by Council.

ML 18-2-Use of Purchase Orders in Accordance with Purchasing Policy

Criteria - City policy defines dollar thresholds and other criteria when purchase orders are required to be used.

Condition - During our testing, we noted one transaction that was entered into without evidence of the use of a purchase order.

Cause - An expenditure was made without the use of a purchase order when required by policy.

Effect - The City can be obligated for payments or other requirements in without prior approval as required by policy.

Recommendation - We recommend the City enforce established policy. Additionally, if the policy is not effective as designed, we recommend revisions to the policy to increase its effectiveness to establish the stated goals of expenditure control.

June 6, 2019

Honorable Mayor and City Council
City of Groveland, Florida

We have audited the financial statements of the *City of Groveland, Florida* as of and for the year ended September 30, 2018, and have issued our report thereon dated June 6, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit
As communicated in our engagement letter dated October 22, 2018, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

We have provided our findings regarding other matters noted during our audit in a separate letter to you dated June 6, 2019.

Planned Scope and Timing of the Audit
We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence
The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices
Significant Accounting Policies
Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the *City of Groveland, Florida* is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2018. matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

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

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

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

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

Financial Statement Disclosures
Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to the recording of investments at fair value.

Significant Difficulties Encountered During the Audit
We encountered no significant difficulties in dealing with management relating to the performance of the audit.

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

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

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

Representations Requested from Management
We have requested certain representations from management that are included in the management representation letter dated June 6, 2019.

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

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

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

Very truly yours,

McDermit Davis & Company, LLC

Orlando, Florida
June 6, 2019

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

The Honorable Mayor and City Council
City of Groveland, Florida

We have examined City of Groveland's (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, City of Groveland complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

McDirmit Davis & Company, LLC

Orlando, Florida
June 6, 2019

Groveland
FLORIDA

156 S. Lake Avenue • Groveland, FL 34736 • www.Groveland-FL.gov

June 7, 2019

McDirmit Davis & Company, LLC
934 North Magnolia Avenue, Suite 100
Orlando, FL 32803

Re: Management Letter, City of Groveland

In response to the Management Letter dated June 6, 2019 pursuant to the City of Groveland annual audit for Fiscal year ended September 30, 2018, please find the City of Groveland's management responses to the Management Letter Audit Comments:

Management Response to Current Year Management Comments:

ML 18-1-Controls Over Long-Term Obligations

Criteria - Effective financial oversight of the City requires an understanding and approval of all long term commitments and obligations entered into by the City.

Condition - Capital leases with a term greater than one year were entered into without Council consent or acknowledgement.

Cause - Budgetary appropriations in excess of anticipated spending used to obligate the City to long term capital leases without specific Council approval.

Effect - The City can be obligated for payments or other requirements in future years which were not approved by Council.

Recommendation - We recommend the City establish policy to require notice and obtain consent from Council for all multiple year agreements over an appropriate dollar threshold to be set by Council.

Management Response – The City is currently revising the Purchasing Policy which has specific thresholds with the approvals needed for the City to encumber funds. This policy states that it reviews items for total cost and gives authority for approval accordingly. The specific item in question occurred prior to the current City Manager joining the City. It is expected that with the

changes in management and updated policy that this condition would not happen again without council consent or in accordance with policy.

ML 18-2-Use of Purchase Orders in Accordance with Purchasing Policy

Criteria - City policy defines dollar thresholds and other criteria when purchase orders are required to be used.

Condition - During our testing, we noted one transaction that was entered into without evidence of the use of a purchase order.

Cause - An expenditure was made without the use of a purchase order when required by policy.

Effect - The City can be obligated for payments or other requirements in without prior approval as required by policy.

Recommendation - We recommend the City enforce established policy. Additionally, if the policy is not effective as designed, we recommend revisions to the policy to increase its effectiveness to establish the stated goals of expenditure control.

Management Response – The City is in the process of revising our current policy and procedures to provide for a better level of control and compliance related to the purchasing of goods and services. As a part of revising the policy, the City is looking into possible technology changes which can assist in the management of purchase orders and provide better safeguards. It is anticipated that with updates to the policy and updated training that the policy will be enforced as written.

John Ter Louw
Finance Director