City of Groveland, Florida

FINANCIAL STATEMENTS

Year Ended September 30, 2025

REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS (Continued)

City of Groveland, Florida
City Officials
As of September 30, 2025

MAYOR
Keith Keogh

VICE MAYOR
Barbara Gaines

CITY COUNCIL
Michael Radzik
Amy Jo Carroll
Judith Fike

CITY MANAGER
Michael Hein

CITY ATTORNEY
Anita Geraci-Carver, Esq.

CITY CLERK
Virginia Wright

Groveland
FLORIDA
City with Natural Charm™

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Groveland, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Groveland, Florida (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

On accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Melbourne, Florida
June 26, 2026

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As management of the City of Groveland (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by $159.7 million (net position). Of this amount, $13.1 million (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 $27.2 million or 20.5%.

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $36.6 million or an increase of $13.7 million. Of this amount $8.3 million is available for spending at the government's discretion (assigned and unassigned fund balance).

- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the General Fund was $12.6 million or approximately 58% of total General Fund expenditures.

- The City's total outstanding long-term debt, not including compensated absences and other post-employment benefits, increased by $8.4 million during the current fiscal year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, recreation and community development. The business-type activities of the City include water, sewer, and reclaimed water system and sanitation utility services. The government-wide financial statements can be found on pages 21-25 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

The basic governments fund financial statements can be found on pages 26-32 of this report.

Proprietary Funds

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide more detailed information for the water, sewer, and reclaimed water utility activities as well as sanitation services.

The basic proprietary fund financial statements can be found of pages 33-37 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 39-88 of this report.

Government-Wide Overall Financial Analysis

Statement of Net Position

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Groveland, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $159.7 million at the close of the current fiscal year.

	Governmental Activities		Business-type Activities		Total	
Assets	2025	2024	2025	2024	2025	2024
Current and other assets	$ 44,385,898	$ 30,157,184	$ 32,738,913	$ 28,097,704	$ 77,124,811	$ 58,254,888
Capital assets	75,399,742	65,414,025	79,017,101	57,939,858	154,416,843	123,353,883
Total assets	119,785,640	95,571,209	111,756,014	86,037,562	231,541,654	181,608,771
Deferred outflows of resources	7,438,930	8,859,664	29,930	35,467	7,468,860	8,895,131
Liabilities						
Long-term liabilities outstanding	40,503,013	33,129,984	12,760,745	13,218,175	53,263,758	46,348,159
Other liabilities	7,568,056	6,584,130	15,953,000	3,491,579	23,521,056	10,075,709
Total liabilities	48,071,069	39,714,114	28,713,745	16,709,754	76,784,814	56,423,868
Deferred inflows of resources	2,485,213	1,533,449	53,257	55,470	2,538,470	1,588,919
Net position						
Net investment in capital assets	44,775,864	43,779,493	53,387,358	43,589,826	98,163,222	87,369,319
Restricted	23,585,640	12,838,155	24,697,067	20,871,664	48,282,707	33,709,819
Unrestricted	8,306,784	6,565,662	4,934,517	4,846,315	13,241,301	11,411,977
Total net position	$ 76,668,288	$ 63,183,310	$ 83,018,942	$ 69,307,805	$ 159,687,230	$ 132,491,115

By far the largest portion of the City's net position (61%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment, and construction in progress), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (30%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $13.2 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2025, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Statement of Activities

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenue:						
Program revenue:						
Charges for services	$ 12,024,253	$ 10,932,319	$ 14,142,319	$ 9,953,256	$ 26,166,572	$ 20,885,575
Operating grants and contributions	738,742	1,056,001	-	-	738,742	1,056,001
Capital grants and contributions	7,344,496	7,186,178	11,840,991	9,755,025	19,185,487	16,941,203
General revenue:						
Property taxes	13,037,944	10,981,347	-	-	13,037,944	10,981,347
Utility taxes and franchise fees	4,346,718	3,666,039	-	-	4,346,718	3,666,039
Intergovernmental	7,651,085	7,320,170	-	-	7,651,085	7,320,170
Investment earnings	1,477,176	1,411,619	1,094,109	941,748	2,571,285	2,353,367
Other	1,558,390	358,066	350,646	44,718	1,909,036	402,784
Total revenues	48,178,804	42,911,739	27,428,065	20,694,747	75,606,869	63,606,486
Expenses:						
General government	6,834,341	6,254,063	-	-	6,834,341	6,254,063
Public safety	20,276,271	18,572,243	-	-	20,276,271	18,572,243
Transportation	2,114,428	1,825,694	-	-	2,114,428	1,825,694
Parks and recreation	2,284,486	2,807,025	-	-	2,284,486	2,807,025
Economic development	405,292	926,986	-	-	405,292	926,986
Physcial environment	3,197,759	2,607,127	-	-	3,197,759	2,607,127
Interest on long-term debt	464,749	448,708	-	-	464,749	448,708
Utility system	-	-	12,833,428	10,912,890	12,833,428	10,912,890
Total expenses	35,577,326	33,441,846	12,833,428	10,912,890	48,410,754	44,354,736
Increase in net position before contributions to permanent fund and transfers	12,601,478	9,469,893	14,594,637	9,781,857	27,196,115	19,251,750
Transfers	883,500	1,153,850	(883,500)	(1,153,850)	-	-
Increase in net position	13,484,978	10,623,743	13,711,137	8,628,007	27,196,115	19,251,750
Net position - October 1	63,183,310	52,559,567	69,307,805	60,679,798	132,491,115	113,239,365
Net position - September 30	$ 76,668,288	$ 63,183,310	$ 83,018,942	$ 69,307,805	$ 159,687,230	$ 132,491,115

Governmental Activities

During the current fiscal year, the net position for governmental activities increased by $13.5 million. This is a $2.9 million increase over the prior year. This change is primarily due to a $5.3 million increase in revenues offset by a $2.1 million increase in expenditures. The various decreases and increases are explained in more detail below.

In the current fiscal year, program revenues increased by $933 thousand. Fee increases totaling $1.1 million, driven by an increase in activity for building permits and higher rates for commercial and residential sanitation services. General revenues also saw growth, with property taxes increasing $2.1 million due to a 20% increase in property values. Franchise fees, state revenues, and investment earnings were also higher than the prior year and contributed to an additional $1.1 million increase in general revenues. Net transfers received decreased by $270 thousand due to a decrease in the Utility Fund transfer to the General Fund in the current year for support of utilities.

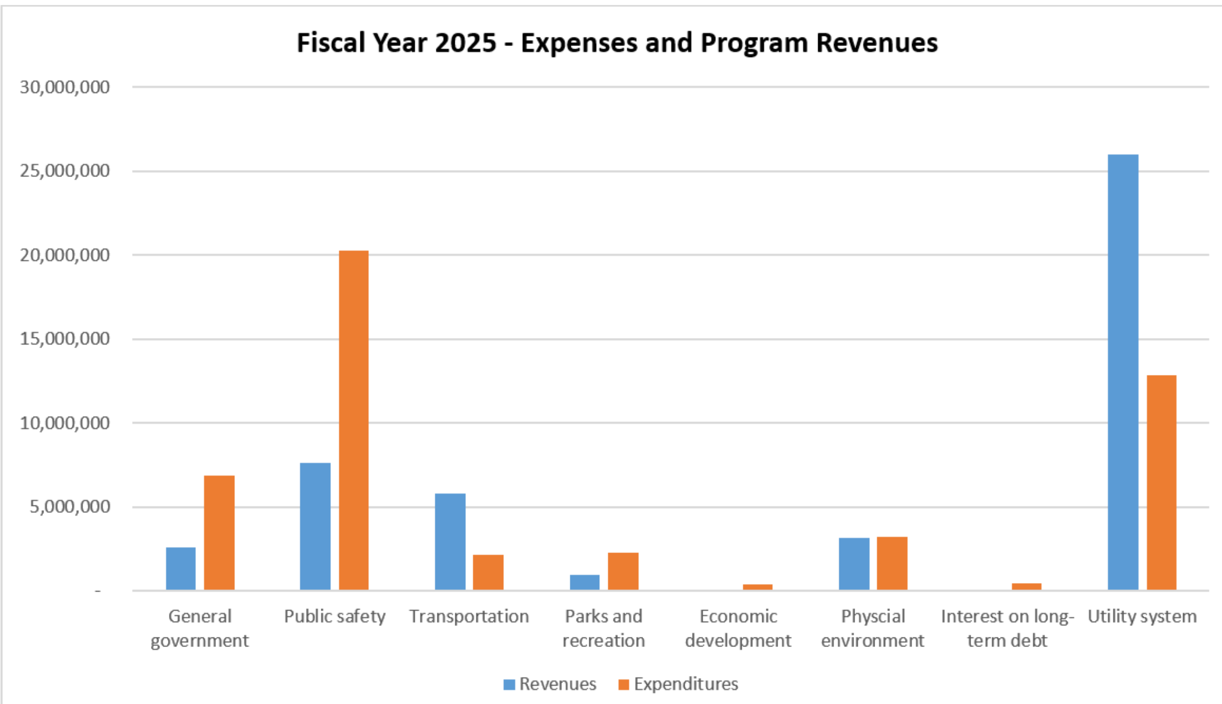
Governmental activity expenditures increased by $2.1 million this year. Notably, public safety increased by $1.7 million. Additionally, physical environment increased by $590 thousand. General government expenditures increased by $580 thousand. Despite this increase, expenses in other areas saw decreases: parks and recreation decreased by $523 thousand, and economic development expenditures went down by $521 thousand.

The rise in general government expenses was driven by higher salaries and wages and a legal settlement received that amounted to $250 thousand. Public safety expenses increased due to multiple factors including higher salaries and wages from payments to the outsourced building official following heightened commercial and residential building activity, and mid-year raises for Police and Fire employees, additional personnel such as new police officers, higher health insurance premiums, and increased contributions to the Florida Retirement System and pension liabilities. Physical environment increased due to greater spending on contract services for commercial and residential sanitation. Economic development costs decreased due to fewer tax abatement payments; Kroger closed their location within the City, which effectively terminated the tax abatement agreement for Kroger and Ocado Solutions. Another contributing factor to the decrease in culture and recreation expenses was a decrease in aid to private organizations, specifically for the Live Well Grant/Hope Movement Center. Physical environment expenses increased due to a rise in the number of sanitation customers and increased hauler rates.

Business-Type Activities

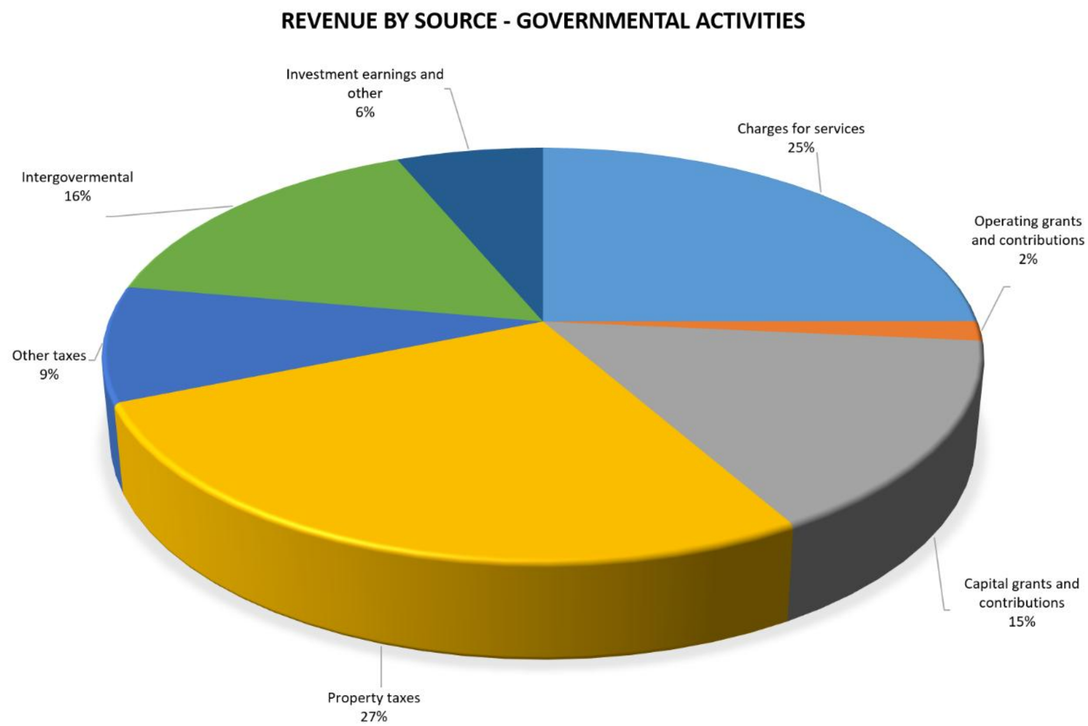
In the current fiscal year, business-type activities bolstered the City's net position by $13.7 million, a significant improvement compared to $8.6 million in the previous year. This $5.1 million increase can be attributed primarily to a $4.2 million rise in charges for services and $2.1 million rise in capital grants and contributions. Notably, developers contributed an additional $1.5 million towards water, sewer, and reclamation infrastructure compared to the prior year. Impact fees also saw a notable increase, with the City collecting $419 thousand more than the prior year. Moreover, City saw a increase in grants from the Florida Department of Environmental Protection (FDEP) and Saint John's Water Management District (SJWMD), aimed at supporting the design and construction of essential water and sewer projects, for an increase of $164 thousand. Additionally, there was a decrease of $270 thousand in the interfund transfer from the Utility Fund to the General Fund for utility support.

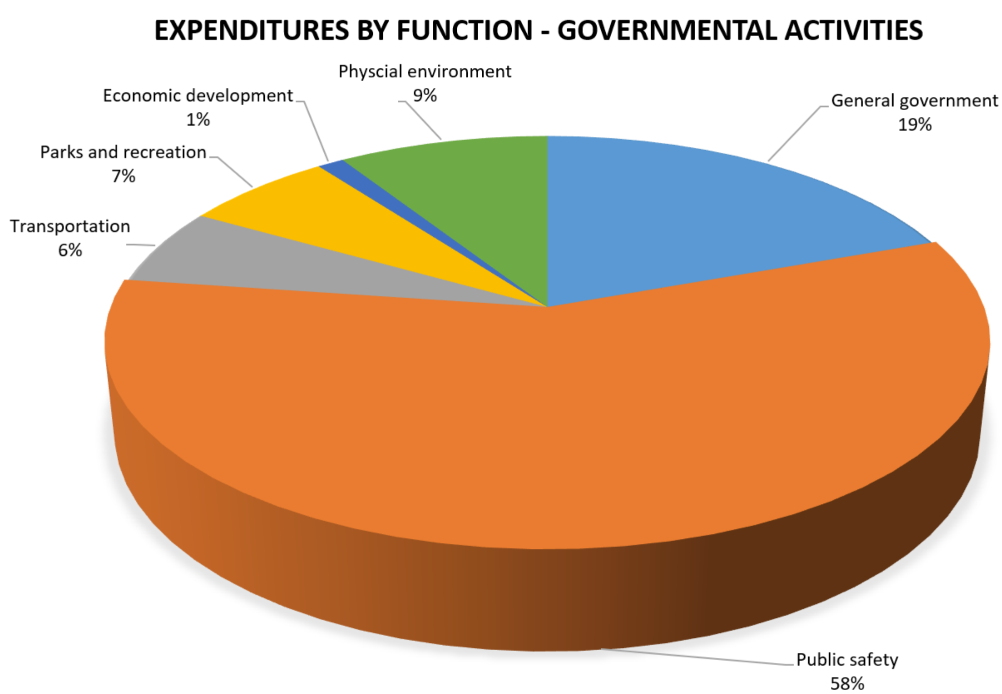
The following chart provides a comparison of expenses versus revenues for each program. Public Safety, a cornerstone of the City's services, relies heavily on funding sources beyond program-generated revenues. Taxes and other general resources contribute significantly to support this essential service. The Parks and Recreation program realized a deficit of $1.4 million in revenues over expenses, from the construction of a new community center and trail. Additionally, public safety and general government realized a deficit of $12.7 million and $4.3 million, respectively. In contrast, the transportation program saw revenues exceed expenses by $3.7 million, driven by donated infrastructure of $4.8 million. The water and sewer program exhibited a substantial surplus of $13.1 million in revenues over expenses, primarily attributed to impact fees collected during the year earmarked for future expansion expenditures, donated water, sewer, and reclamation infrastructure, as well as grants from the Florida Department of Environmental Protection (FDEP) and the Saint John's Water Management District (SJWMD).



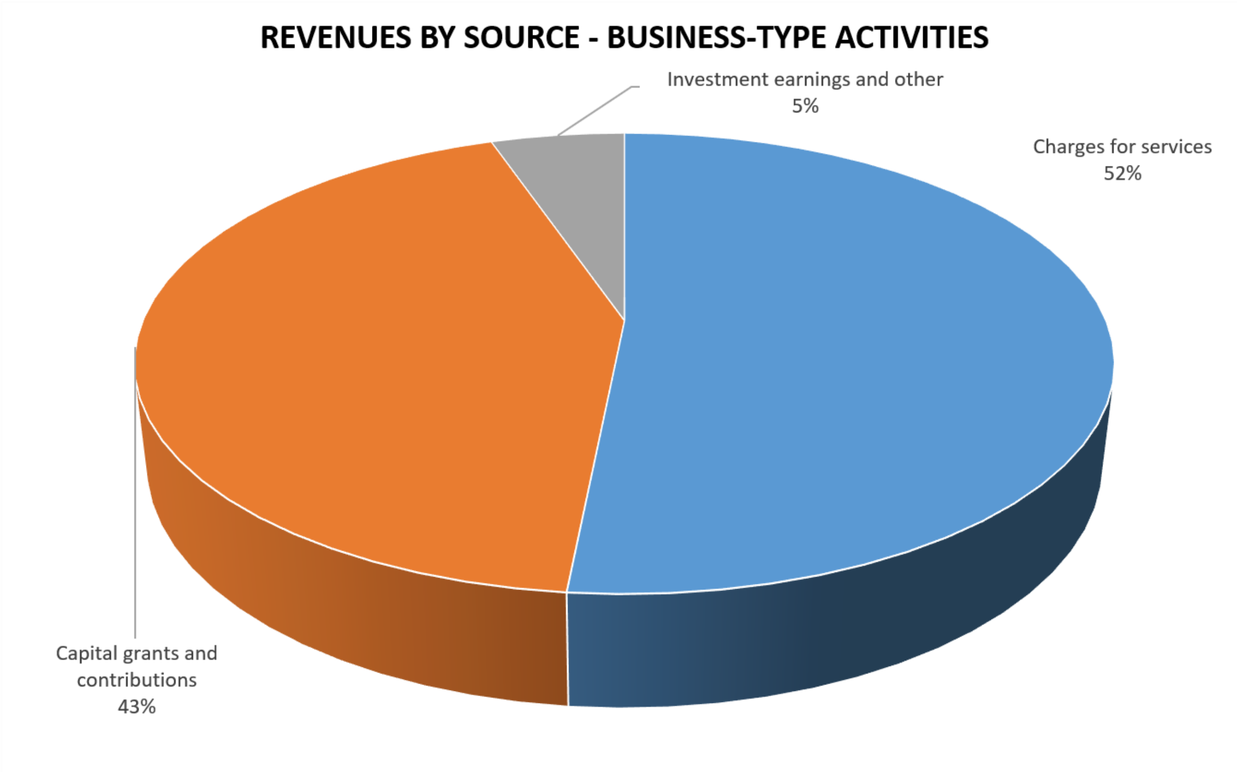
The following chart illustrates the City's revenue sources for Fiscal Year 2025. The largest revenue category, totaling $26.2 million, is derived primarily from charges for services, predominantly stemming from water, sewer, and sanitation services provided to City residents and businesses. Capital grants and contributions represent the second-largest revenue source, comprising $10.8 million from donated capital infrastructure, $6.4 million from impact fee collections, and $2.0 million in grants and contributions received from other local governments. Property taxes constitute the third-largest revenue source, amounting to $13.0 million for the current fiscal year.

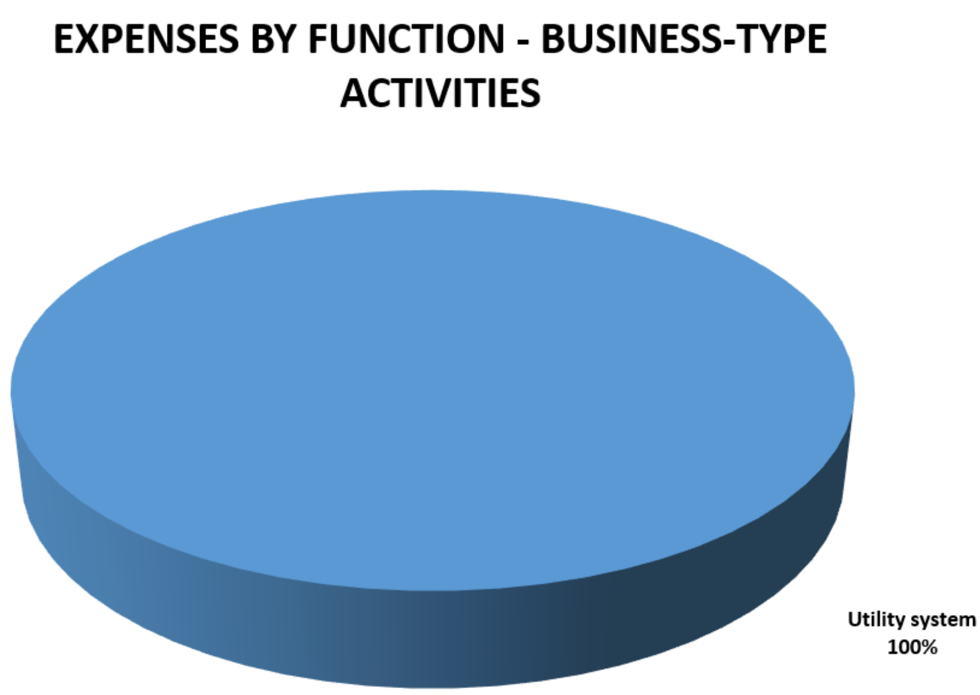
The revenues by source and expenses by function for governmental activities are displayed in the following graphs:





The revenues by source and expenses by function for all business-type activities are demonstrated in the following graphs:





Financial Analysis of Government's Funds

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

Governmental Funds

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

As of the conclusion of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $36.6 million, reflecting a 59.8% increase from the previous year. This increase was primarily driven by debt proceeds of $9.8 million related to the issuance of Capital Improvement Revenue Note, Series 2025 for the acquisition and construction of fire station no. 3. Additionally, the City received $1.1 million in proceeds from sale of land to Red Apple Development. The unassigned fund balance increased by $2.5 million, largely attributable to the increase in revenues. The remaining fund balance comprises legally restricted funds earmarked for specific purposes by City action or funds not readily available in liquid form for new expenditures.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $8.4 million, while the total fund balance was $13.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. On September 30, 2025, unassigned fund balance and total fund balance as a percentage of total General Fund expenditures equal 39% and 60%, respectively.

The fund balance of the City's General Fund increased by $2.5 million in the current fiscal year, marking a notable shift from the $1.3 million increase reported in the prior year. This $1.2 million swing was primarily driven by a $1.9 million increase in property taxes from an increase in assessed value of property located within the incorporated limits of the City. This increase is attributed to new residential and commercial construction. Other significant revenue increases in non-property taxes, attributed to higher utility and communication taxes spurred by residential and commercial growth. Charges for services increased by $589 thousand due to an expanding customer base and fee adjustments for sanitation revenues, and new charges for outsourced development reviews.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to $4.9 million for the Water and Sewer System.

General Fund Budgetary Highlights

During Fiscal Year 2025, the City Council approved four budget amendments to refine financial planning and address operational adjustments:

The first amendment increased Community Redevelopment Agency's budgeted revenues and expenditures by $312,616 for projects or services that were not completed in FY2023-2024. Initially, the Fiscal Year 2024 budget projected carrying forward $806,800 from Fiscal Year 2024 to Fiscal Year 2025. However, actual funds carried forward amounted to $1,119,416, necessitating a budget amendment to allocate an additional $312,616 for ongoing and future capital projects within the Community Redevelopment Agency.

The second amendment, conducted mid-year, notably increased the General Fund revenues by $1.8 million mainly due to the sale or ROW land to FDOT for SR50 project and to true up funds carried forward from the prior fiscal year. Budgeted expenditures were increased by $1.8 million mainly for Hurricane Milton clean-up, the train depot renovation, and resurfacing-road maintenance. Various amounts were amended for the remaining funds.

The third budget amendment, conducted at year-end, resulted in increasing and/or decreasing various line items.

The final budget amendment approved an increase in Community Redevelopment Agency's revenues and expenditures by $791,883 for projects or services that were not completed in FY2024-2025. Initially, the Fiscal Year 2025 budget projected carrying forward $1,104,000 from Fiscal Year 2024 to Fiscal Year 2025. However, actual funds carried forward amounted to $1,895,883, necessitating a budget amendment to allocate an additional $791,883 for ongoing and future capital projects within the Community Redevelopment Agency.

In accordance with Florida Statutes 166.241, the City Council has a 60-day window following the fiscal year-end to amend the budget. The final budget amendment of the year, a year-end true-up, did not change the total appropriation of the fund and only adjusted expenditure appropriations across departments to reflect updated financial needs and priorities.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounted to $154.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and other infrastructure items. The percentage increase from the prior year was 25%.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 8,630,913	$ 8,806,438	$ 1,160,332	$ 1,160,332	$ 9,791,245	$ 9,966,770
Buildings	14,801,664	12,730,322	955,405	905,756	15,757,069	13,636,078
Improvements/infrastructure	31,792,726	27,174,866	51,309,114	45,172,464	83,101,840	72,347,330
Machinery and equipment	6,960,669	5,396,212	1,110,867	1,085,547	8,071,536	6,481,759
Right-to-use leases equipment	506,556	689,646	-	-	506,556	689,646
Right-to-use subscriptions	625,360	878,988	-	-	625,360	878,988
Construction in progress	12,081,854	9,737,553	24,481,383	9,615,759	36,563,237	19,353,312
Total capital assets, net of depreciation/amortization	$ 75,399,742	$ 65,414,025	$ 79,017,101	$ 57,939,858	$ 154,416,843	$ 123,353,883

Major capital asset additions included the following projects:

- Elese Tomlin Center
- Cherry Lake Park improvements
- Fire Station 3
- South Lake Regional Park
- Phase 3 Asbestos Water Main Replacement
- Sunshine Lower Florida Aquifer Reclaim Well design and construction
- Water Meter Replacement
- Sampey Wastewater Treatment Plant design
- SR19 Force Main Extension Design
- Green Valley Lift Station
- Villa City LFA Wells 1 & 2
- Donated water, sewer, reclaim, stormwater and road infrastructure

Additional information on the City's capital assets can be found in Note 3 on pages 59-61 of this report.

Long-Term Debt

At the conclusion of the current fiscal year, the City's total outstanding liabilities for bonded debt, loans, leases, and subscription commitments amounted to $40.7 million, reflecting an increase of $8.4 million compared to the previous year. This rise in liabilities was primarily driven by the issuance of the Capital Improvement Revenue Note, Series 2025 in the amount of $9.8 million for the purpose of funding the acquisition, construction and equipping of Fire Station No. 3. Additionally, the City entered into an agreement for a Revolving Line of Credit Secondary Subordinated Revenue Note, Series 2025A with an amount not to exceed $15 million to provide financing flexibility for various capital improvement projects; the City drew $100 thousand on the line of credit. This increase is offset by the normal principal payments of outstanding debts.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
State Revolving Fund loans	$ -	$ -	$ 4,896,479	$ 4,900,782	$ 4,896,479	$ 4,900,782
Notes payable	26,750,533	17,287,160	7,493,000	8,095,000	34,243,533	25,382,160
Revolving line of credit	-	-	100,000	-	100,000	-
Financed purchases	430,956	660,252	100,040	56,809	530,996	717,061
Lease liabilities	458,877	627,881	-	-	458,877	627,881
Subscription liabilities	545,445	777,410	-	-	545,445	777,410
Total	$28,185,811	$19,352,703	$12,589,519	$13,052,591	$40,775,330	$32,405,294

Additional information on the City's outstanding debt can be found in Note 3 on pages 61-73 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently impact the City of Groveland and have been integral in shaping the Fiscal Year 2026 budget:

- In the upcoming fiscal year, taxable property values increased by 13%. The adopted millage rate increased from 5.5 mills to 5.7 mills. These adjustments will enable the City to pursue its strategic priorities as outlined in the citizen-developed and Council-approved Strategic Plan. These priorities focus on enhancing financial health, promoting preservation and conservation efforts, fostering an eco-agrarian lifestyle, improving community livability, and encouraging an informed and engaged community.

- The City issued building permits for 528 new single-family residences during FY 2025, an increase from 317 permits issued in FY 2024. This growth was consistent with expectations established in FY 2024, as multiple new subdivisions came online and additional buildable lots became available throughout the fiscal year. Looking ahead, the City anticipates a moderation in residential construction activity, with approximately 300 to 400 new single-family residences expected in FY 2026. The projected decrease is primarily attributable to elevated interest rates, ongoing economic uncertainty, and softer housing market conditions, which may impact both builder activity and consumer demand.

- For FY 25, major economic factors include the October 1, 2024, effective date of increased utility rates and connection fees, or impact fees, for water and sewer. City Council approved by ordinance an overall customer rate design increase of 40 percent, significantly enhancing enterprise fund revenue. Water connection/impact fees were increased 64 percent, and sewer connection/impact fees were increased 104 percent. In addition, the City commenced a massive replacement program of approximately 5,000 potable water meters and irrigation/reclaimed water meters. The removal of underperforming meters replaced with meters reading accurate usage also enhanced revenues in the last quarter of FY 25 and will have impact into FY 26 as well. The City did assume maintenance responsibility of developer-constructed infrastructure of three residential subdivision projects – Hidden Ridge, Meadow Pointe, and Vintner Estates - during FY 25 as robust homebuilding continued throughout the year.

- Capital projects in FY 25 included construction commencement of:
    - Sampey Wastewater Treatment Facility Upgrade and Expansion Project
    - Advanced Metering Infrastructure (meter replacement) Project
    - Water Main Replacement, Phase 3
    - 3 Lower Floridan Aquifer Wells (two for potable supply at the Villa City future Water Treatment Plant and one for augmentation at the Sunshine Reclaimed Water Facility).

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 City of Groveland, Attention: Finance Director, 156 S. Lake Avenue, Groveland, Florida 34736.

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CITY OF GROVELAND, FLORIDA

Basic Financial Statements

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As of September 30, 2025	Primary Government Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 39,567,744	$ 24,018,628	$ 63,586,372
Investments	1,859,974	1,548,939	3,408,913
Receivables, net	1,055,129	1,854,506	2,909,635
Lease receivable	143,442	-	143,442
Prepaid items	417,629	26,038	443,667
Due from other governments	1,323,557	1,017,868	2,341,425
Loan receivable	4,000	-	4,000
Inventories	14,423	52,398	66,821
Restricted assets:			
Cash and cash equivalents	-	4,220,536	4,220,536
Capital assets:			
Non-depreciable	20,712,767	25,641,715	46,354,482
Depreciable (net)	54,686,975	53,375,386	108,062,361
Total assets	119,785,640	111,756,014	231,541,654
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to other post-emloyment benefits	282,984	29,930	312,914
Deferred outflows related to pensions	7,155,946	-	7,155,946
Total deferred outflow of resources	7,438,930	29,930	7,468,860
LIABILITIES			
Accounts payable	4,898,361	13,721,264	18,619,625
Contracts and retainage payable	173,541	587,484	761,025
Accrued payroll and related liabilities	644,840	48,796	693,636
Due to other governments	1,721,396	-	1,721,396
Accrued interest	120,742	128,176	248,918
Deposits payable	9,083	1,467,280	1,476,363
Other current liabilities	93	-	93
Non-current liabilities:			
Due within one year:			
Compensated absences	562,429	47,729	610,158
Other post-employment benefits	75,320	7,966	83,286
Lease liability	173,201	-	173,201
Subscription liability	220,166	-	220,166
Bonds, notes and financed purchases	1,117,010	2,563,959	3,680,969
Due in more than one year:			
Compensated absences	597,081	29,493	626,574
Other post-employment benefits	813,473	86,038	899,511
Net pension liability	10,268,899	-	10,268,899
Lease liability	285,676	-	285,676
Subscription liability	325,279	-	325,279
Bonds, notes and financed purchases	26,064,479	10,025,560	36,090,039
Total liabilities	48,071,069	28,713,745	76,784,814

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

	Primary Government		
	Governmental	Business-type	
As of September 30, 2025	Activities	Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to leases	131,147	-	131,147
Deferred inflows related to other post-emloyment benefits	503,530	53,257	556,787
Deferred inflows related to pensions	1,850,536	-	1,850,536
Total deferred inflows of resources	2,485,213	53,257	2,538,470
NET POSITION			
Net investment in capital assets	44,775,864	53,387,358	98,163,222
Restricted for:			
System expansion	-	22,649,083	22,649,083
Economic development	1,887,114	-	1,887,114
Infrastructure	832,182	-	832,182
Capital projects	9,401,414	-	9,401,414
Public safety	10,045,535	-	10,045,535
Debt service	1,419,395	2,047,984	3,467,379
Unrestricted	8,306,784	4,934,517	13,241,301
Total net position	$ 76,668,288	$ 83,018,942	$ 159,687,230

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City of Groveland, Florida
Statement of Activities

For the year ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services and Fines	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 6,834,341	$ 2,422,155	$ 67,415	$ 69,694
Public safety	20,276,271	6,378,765	585,696	653,177
Transportation	2,114,428	-	-	5,773,134
Parks and recreation	2,284,486	85,905	-	848,491
Economic development	405,292	-	85,631	-
Physical environment	3,197,759	3,137,428	-	-
Interest on long-term debt	464,749	-	-	-
Total governmental activities	35,577,326	12,024,253	738,742	7,344,496
Business-type activities:				
Utility system	12,833,428	14,142,319	-	11,840,991
Total business-type activities	12,833,428	14,142,319	-	11,840,991
Total primary government	$ 48,410,754	$ 26,166,572	$ 738,742	$ 19,185,487

General revenues and transfers:
Taxes:
Property taxes, levied for general purposes
Franchise fees and utility taxes
Intergovernmental
Investment earnings
Miscellaneous
Transfers, net
Total general revenues
Change in net position
Net position, beginning of year
Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (4,275,077)	$ -	$ (4,275,077)
(12,658,633)	-	(12,658,633)
3,658,706	-	3,658,706
(1,350,090)	-	(1,350,090)
(319,661)	-	(319,661)
(60,331)	-	(60,331)
(464,749)	-	(464,749)
(15,469,835)	-	(15,469,835)
-	13,149,882	13,149,882
-	13,149,882	13,149,882
(15,469,835)	13,149,882	(2,319,953)
13,037,944	-	13,037,944
4,346,718	-	4,346,718
7,651,085	-	7,651,085
1,477,176	1,094,109	2,571,285
1,558,390	350,646	1,909,036
883,500	(883,500)	-
28,954,813	561,255	29,516,068
13,484,978	13,711,137	27,196,115
63,183,310	69,307,805	132,491,115
$ 76,668,288	$ 83,018,942	$ 159,687,230

September 30, 2025	General Fund	Community Redevelopment Agency Fund
ASSETS		
Cash and cash equivalents	$ 13,466,528	$ 1,806,024
Investments	855,456	116,477
Accounts receivable, net	1,002,638	3,602
Inventories	14,423	-
Lease receivable	143,442	-
Due from other funds	253,649	-
Due from other governments	604,093	-
Prepaid items	416,189	643
Loan receivable	-	4,000
Total assets	16,756,418	1,930,746
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	1,273,856	22,115
Contracts and retainage payable	-	-
Accrued payroll and related liabilities	488,186	874
Due to other funds	-	-
Due to other governments	1,721,396	-
Deposits payable	9,083	-
Other current liabilities	93	-
Total liabilities	3,492,614	22,989
Deferred inflows of resources:		
Unavailable revenue	78,968	-
Deferred inflows related to leases	131,147	-
Total deferred inflows of resources	210,115	-
Fund balances:		
Nonspendable	430,612	20,643
Restricted		
Economic development	-	1,887,114
Capital projects	-	-
Infrastructure	-	-
Public safety	-	-
Debt service	-	-
Committed		
General sinking fund	4,214,979	-
Unassigned	8,408,098	-
Total fund balances	13,053,689	1,907,757
Total liabilities, deferred inflows of resources, and fund balances	$ 16,756,418	$ 1,930,746

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

(Formerly Major) Building Services Fund	Fire Operations Fund	(Formerly Major) Cherry Lake Park Construction Fund (Major)	Non-major Governmental Funds	Total Governmental Funds
$ -	$ 703,440	$ -	$ 23,591,752	$ 39,567,744
-	58,751	-	829,290	1,859,974
-	2,300	-	46,589	1,055,129
-	-	-	-	14,423
-	-	-	-	143,442
-	-	-	-	253,649
-	64,101	-	655,363	1,323,557
-	797	-	-	417,629
-	-	-	-	4,000
-	829,389	-	25,122,994	44,639,547
-	62,761	-	3,539,629	4,898,361
-	-	-	173,541	173,541
-	152,679	-	3,101	644,840
-	-	-	253,649	253,649
-	-	-	-	1,721,396
-	-	-	-	9,083
-	-	-	-	93
-	215,440	-	3,969,920	7,700,963
-	-	-	151,867	230,835
-	-	-	-	131,147
-	-	-	151,867	361,982
-	797	-	-	452,052
-	-	-	-	1,887,114
-	-	-	9,401,414	9,401,414
-	-	-	832,182	832,182
-	613,152	-	9,432,383	10,045,535
-	-	-	1,419,395	1,419,395
-	-	-	-	4,214,979
-	-	-	(84,167)	8,323,931
-	613,949	-	21,001,207	36,576,602
$ -	$ 829,389	$ -	$ 25,122,994	$ 44,639,547

City of Groveland, Florida
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position

Total fund balances - governmental funds		**$ 36,576,602**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	$ 98,950,695	
Less accumulated depreciation	(23,550,953)	**75,399,742**
Long-term liabilities, including notes payable, financed purchases and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	$ (10,268,899)	
Notes payable	(26,750,533)	
Compensated absences	(1,159,510)	
Other post-employment benefits	(888,793)	
Financed purchases	(430,956)	
Lease liabilities	(458,877)	
Subscription liabilities	(545,445)	
Accrued interest	(120,742)	**(40,623,755)**
Some revenues will not be collected within 60 days after the close of the City's fiscal year-end and are not considered as "available" revenue in the governmental funds and, therefore, are reported as deferred inflows of resources. In the statement of net position, which is on the full accrual basis, the revenue is fully recognized in the statement of activities.		**230,835**
Deferred outflows of resources related to pensions and other-post employment benefits are not recognized in the funds; however, they are recorded in the statement of net position under full accrual accounting.		
Deferred outflows related to other post-employtment benefits	$ 282,984	
Deferred outflows related to pensions	7,155,946	**7,438,930**
Deferred inflows of resources related to pensions and other-post employment benefits are not recognized in the funds; however, they are recorded in the statement of net position under full accrual accounting.		
Deferred inflows related to other post-employtment benefits	$ (503,530)	
Deferred inflows related to pensions	(1,850,536)	**(2,354,066)**
Net position of governmental activities		**$ 76,668,288**

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

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

For the year ended September 30, 2025	General Fund	Community Redevelopment Agency Fund	(Formerly Major) Building Services Fund
Revenues			
Property taxes	$ 11,660,642	$ 1,377,302	$ -
Permits, fees & special assessments	-	-	-
Franchise and utility taxes	4,346,718	-	-
Licenses and permits	1,395,744	-	-
Intergovernmental	3,445,965	-	-
Charges for services	4,391,811	-	-
Fines and forfeitures	64,434	-	-
Impact fees	-	-	-
Interest and other	671,964	71,028	-
Miscellaneous revenue	455,754	54,499	-
Total revenues	26,433,032	1,502,829	-
Expenditures			
Current:			
General government	6,180,163	1,699	-
Public safety	8,589,663	31,120	-
Transportation	1,283,708	-	-
Economic development	41,720	265,244	-
Physical environment	3,014,898	-	-
Parks and recreation	1,593,088	19,208	-
Capital outlay	683,570	313,279	-
Debt service:			-
Principal	359,730	-	-
Interest and fiscal charges	38,988	-	-
Debt issuance costs	-	-	-
Total expenditures	21,785,528	630,550	-
Excess (deficiency) of revenues over (under) expenditures	4,647,504	872,279	-
Other financing sources (uses)			
Transfers in	1,483,500	-	-
Transfers out	(3,661,800)	(133,200)	-
Lease proceeds	-	-	-
Debt proceeds	-	-	-
Subscription proceeds	30,434	-	-
Sale of capital assets	10,519	-	-
Net other financing sources (uses)	(2,137,347)	(133,200)	-
Net change in fund balances	2,510,157	739,079	-
Fund balances, beginning of year as previously reported	-	-	2,114,696
Adjustments	-	-	(2,114,696)
Fund balances, beginning, restated	10,543,532	1,168,678	-
Fund balances, end of year	$ 13,053,689	$ 1,907,757	$ -

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

Fire Operations Fund	(Formerly Major) Cherry Lake Park Construction Fund	Non-major Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 13,037,944
2,687,879	-	-	2,687,879
-	-	-	4,346,718
-	-	3,616,425	5,012,169
294,807	-	5,950,081	9,690,853
-	-	-	4,391,811
-	-	-	64,434
-	-	1,537,802	1,537,802
64,984	-	669,200	1,477,176
74,516	-	269,469	854,238
3,122,186	-	12,042,977	43,101,024
-	-	2,618,216	8,800,078
6,526,884	-	292,379	15,440,046
-	-	432	1,284,140
-	-	58,218	365,182
-	-	120,000	3,134,898
-	-	130,250	1,742,546
6,277	-	7,981,743	8,984,869
	-		
-	-	686,596	1,046,326
-	-	423,654	462,642
-		51,034	51,034
6,533,161	-	12,362,522	41,311,761
(3,410,975)	-	(319,545)	1,789,263
3,601,800	-	3,556,800	8,642,100
-	-	(3,963,600)	(7,758,600)
-	-	-	-
-		9,849,000	9,849,000
-	-	-	30,434
-	-	1,125,000	1,135,519
3,601,800	-	10,567,200	11,898,453
190,825	-	10,247,655	13,687,716
-	334,429	(2,449,125)	-
-	(334,429)	2,449,125	-
423,124	-	10,753,552	22,888,886
$ 613,949	$ -	$ 21,001,207	$ 36,576,602

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

Net change in fund balances - total governmental funds		**$ 13,687,716**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceed depreciation in the current period.		
Expenditures for capital assets	$ 8,984,869	
Capital contribution	4,788,634	
Less current year depreciation and amortization	(3,356,419)	**10,417,084**
In the statement of activities, only the gain or loss on the sale of capital assets are reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the capital assets sold or disposed.		
Net book value of disposition of capital assets		**(431,367)**
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.		**(415,006)**
Issuance of long-term debt is an other financing source in the governmental funds, but increases long-term liabilities in the statement of net position.		**(9,879,434)**
Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		**1,046,326**
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Accrued interest		**2,773**
Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.		**(30,999)**
Other postemployment benefit and pension obligation reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.		**(912,115)**
Change in net position of governmental activities		**$ 13,484,978**

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

As of September 30, 2025	Business-type Activities - Enterprise Funds: Utility System Fund	Business-type Activities - Enterprise Funds: Total
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24,018,628	$ 24,018,628
Cash and cash equivalents, restricted	4,220,536	4,220,536
Investments	1,548,939	1,548,939
Accounts receivable, net	1,854,506	1,854,506
Due from other governments	1,017,868	1,017,868
Prepaid expenses	26,038	26,038
Inventories	52,398	52,398
Total current assets	32,738,913	32,738,913
Noncurrent assets:		
Capital assets:		
Land	1,160,332	1,160,332
Infrastructure	84,757,441	84,757,441
Building and improvements	1,572,186	1,572,186
Machinery and equipment	3,638,921	3,638,921
Construction in progress	24,481,383	24,481,383
Total capital assets	115,610,263	115,610,263
Less accumulated depreciation	(36,593,162)	(36,593,162)
Total capital assets, net of accumulated depreciation	79,017,101	79,017,101
Total noncurrent assets	79,017,101	79,017,101
Total assets	111,756,014	111,756,014
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to other post-employment benefits	29,930	29,930
Total deferred outflow of resources	29,930	29,930

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

As of September 30, 2025	Business-type Activities - Enterprise Funds Utility System Fund	Total
LIABILITIES		
Current liabilities:		
Accounts payable	13,721,264	13,721,264
Contracts and retainage payable	587,484	587,484
Accrued payroll and related liabilities	48,796	48,796
Accrued interest payable	128,176	128,176
Financed purchases	36,079	36,079
Compensated absences	47,729	47,729
Other post-employment benefits	7,966	7,966
Customer deposits payable	1,467,280	1,467,280
Revolving line of credit	100,000	100,000
Bonds and notes payable	2,427,880	2,427,880
Total current liabilities	18,572,654	18,572,654
Noncurrent liabilities:		
Financed purchases	63,961	63,961
Compensated absences	29,493	29,493
Other post-employment benefits	86,038	86,038
Bonds and notes payable after one year	9,961,599	9,961,599
Total noncurrent liabilities	10,141,091	10,141,091
Total liabilities	28,713,745	28,713,745
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to other post-employment benefits	53,257	53,257
Total deferred inflows of resources	53,257	53,257
NET POSITION		
Net investment in capital assets	53,387,358	53,387,358
Restricted for:		
Debt service	2,047,984	2,047,984
System expansion	22,649,083	22,649,083
Unrestricted	4,934,517	4,934,517
Total net position	$ 83,018,942	$ 83,018,942

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

For the year ended September 30, 2025	Business-type Activities - Enterprise Funds Utility System Fund	Total
Operating revenues:		
Charges for services	$ 14,142,319	$ 14,142,319
Miscellaneous	347,146	347,146
Total operating revenues	14,489,465	14,489,465
Operating expenses:		
Salaries, wages and employee benefits	1,666,392	1,666,392
Contractual, materials, and supplies	5,683,409	5,683,409
Insurance claims and expense	208,864	208,864
Depreciation	2,814,910	2,814,910
Repairs and maintenance	219,507	219,507
Other operating expenses	1,913,287	1,913,287
Total operating expenses	12,506,369	12,506,369
Operating income	1,983,096	1,983,096
Nonoperating revenues (expenses):		
Federal and state grants	1,017,866	1,017,866
Investment income	1,094,109	1,094,109
Interest and fiscal charges	(269,504)	(269,504)
Debt issuance costs	(57,555)	(57,555)
Gain on sale/disposal of capital assets	3,500	3,500
Total nonoperating revenues (expenses)	1,788,416	1,788,416
Income before contributions and transfers	3,771,512	3,771,512
Capital Contributions and transfers:		
Capital contributions	10,823,125	10,823,125
Transfers in	3,151,804	3,151,804
Transfers out	(4,035,304)	(4,035,304)
Change in net position	13,711,137	13,711,137
Net position, beginning of year	69,307,805	69,307,805
Net position, end of year	$ 83,018,942	$ 83,018,942

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

For the year ended September 30, 2025	Business-type Activities - Enterprise Funds: Utility System Fund	Total
Cash flows from operating activities:		
Cash received from customers for sales and services	$ 14,263,572	$ 14,263,572
Cash payments to employees	(1,649,707)	(1,649,707)
Cash payments to suppliers for goods and services	4,057,577	4,057,577
Cash payments for insurance and claims expenses	(208,864)	(208,864)
Net cash provided by (used in) operating activities	16,462,578	16,462,578
Cash flows from noncapital financing activities:		
Cash transfers in from other funds	3,151,804	3,151,804
Cash transfers out to other funds	(4,035,304)	(4,035,304)
Net cash provided by (used in) noncapital financing activities	(883,500)	(883,500)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(17,886,203)	(17,886,203)
Capital grants and contributions	5,835,041	5,835,041
Proceeds from sale of capital assets	3,500	3,500
Proceeds from issuance of financed purchases	82,386	82,386
Proceeds from issuance of revolving line of credit	100,000	100,000
Principal paid on financed purchases	(39,155)	(39,155)
Proceeds from issuance of bonds and notes payable	8,346	8,346
Principal paid on bonds and notes payable	(614,649)	(614,649)
Interest paid on long-term debt, net of subsidy	(227,656)	(227,656)
Debt issuance costs paid	(57,555)	(57,555)
Net cash provided by (used in) capital and related financing activites	(12,795,945)	(12,795,945)
Cash flows from investing activities:		
Investment income	1,094,109	1,094,109
Purchase of investments	(126,198)	(126,198)
Net cash provided by (used in) investing activities	967,911	967,911
Net change in cash and cash equivalents	3,751,044	3,751,044
Cash and cash equivalents, beginning of year	24,488,120	24,488,120
Cash and cash equivalents, end of year	$ 28,239,164	$ 28,239,164

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

	Business-type Activities - Enterprise Funds			
For the year ended September 30, 2025		Utility System Fund		Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$	1,983,096	$	1,983,096
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation		2,814,910		2,814,910
Bad debt expense (recovery)		195,107		195,107
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable		(761,406)		(761,406)
Due from other governments		(316,209)		(316,209)
Prepaid expenses		4,593		4,593
Inventory		113,948		113,948
Deferred outflows of OPEB expenses		5,537		5,537
Increase (decrease) in liabilities:				
Accounts payable		11,755,239		11,755,239
Contracts payable		524,499		524,499
Accrued payroll and related liabilities		7,719		7,719
OPEB obligation		(3,913)		(3,913)
Compensated absences		9,555		9,555
Deferred inflows of OPEB earnings		(2,213)		(2,213)
Customer deposits		132,116		132,116
Total adjustments		14,479,482		14,479,482
Net cash provided by (used in) operating activities	$	16,462,578	$	16,462,578
Noncash capital and related financing activities:				
Acquisition of capital assets through contributions from property owners, developers and other governments	$	6,005,950	$	6,005,950

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

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Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting entity

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

Blended component unit

The City of Groveland created the Community Redevelopment Agency in 2002. The original Groveland Community Redevelopment Area was established in Resolution 2002-03-02, the area was expanded with the adoption of Resolution 2021-10. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Notification to affected taxing agency was done in compliance with Chapter 163.346, Part III, Florida Statutes. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area. The City Council, being the duly elected governmental body for the designated area, passed Ordinance 2002-05-15, which established the City of Groveland as the Redevelopment Agency for the purpose of carrying out the community redevelopment programs and plans within the area. Through the Ordinance, the City established the Community Redevelopment Trust Fund to account for all transactions generated by this special revenue fund. The Groveland Community Redevelopment Fund is presented as a blended component unit since the City Council serves as 5 of the 7 members of the governing board and the City has operational responsibility for the Fund.

B. Government-wide and fund financial statements

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (continued)

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

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

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Government-wide financial statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund financial statements

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

The government reports the following major governmental funds:

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The *Fire Operations Fund* is used to account for the revenues and expenditures related to the Fire Department. The fire assessment in this fund is restricted and can only be used to pay for basic life support (BLS) costs for the Fire Department. These revenues and expenditures were formerly in the General Fund.

The government reports the following major enterprise funds:

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

Additionally, the City reports the following non-major fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

The *Debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Capital projects funds account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Other information

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Community Redevelopment Fund, special revenue funds and debt service fund. The capital projects funds are appropriated on a project-length basis. Certain special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Cash and cash equivalents

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

2. Investments

Investments for the government are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). The State Treasurer's Investment Pool meets all of the specified criteria in Section I50: *Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the City's position in the pool is equal to the value of the pooled shares.

3. Receivables and payables

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

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

Lease receivables - The City's lease receivables are measured at the net present value of future lease payments to be received for the lease term and an offsetting deferred inflow of resources at the beginning of the term. The periodic amortization of the discount on the receivable is reported as interest revenue for that period. This recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. Any initial direct costs are reported as an outflow of resources for that period. Re-measurement of leases receivables occur when there are modifications, including but not limited to changes in the contract price, lease term, and adding or removing an underlying asset to the lease agreement. In case of a partial or full lease termination, the carrying value of the lease receivable and the related deferred inflow if resources will be reduced and be recorded as a gain or loss for the difference.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

4. Interfund activities and transactions

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

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

5. Inventories and Prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses 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 the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Customer and developer deposit accounts – Deposited in non-interest-bearing accounts and refunded upon termination of service with the City and satisfaction of all obligations due.

Debt service accounts – Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds obligations.

7. Capital assets

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

8. Deferred outflows/inflows of resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has two items that qualifies for reporting as deferred outflows of resources, the *deferred outflows related to other-post employment benefits and pensions*, reported in the government-wide and proprietary funds statements of net position. The deferred outflows related to other post-employment benefits and pensions are an aggregate of items related to OPEB and pensions, reflecting amounts resulting from experience gains/losses that have not been recognized in the current OPEB and pension expense calculations, but will be potentially reflected in future years as calculated in accordance with GASB Codification Section P52: *Postemployment Benefits Other than Pensions – Reporting Benefits Not Provided through Trusts That Meet Specified Criteria* and GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to OPEB and pensions will be recognized as either OPEB and pensions expense or a reduction in the net OPEB and pension liability in future reporting years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has one (1) item that qualifies for reporting as deferred inflows of resources. The *deferred inflows related to other-post employment benefit* are an aggregate of items related to OPEB, reflecting amounts resulting from experience gains/losses that have not been recognized in the current OPEB expense calculation, but will be potentially reflected in future years as calculated in accordance with GASB Codification Section P52: *Postemployment Benefits Other than Pensions – Reporting Benefits Not Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to other-post employment benefits will be recognized as a reduction to OPEB expense in future reporting years.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The deferred inflows related to leases are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

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

9. Compensated absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Accumulated sick leave lapses when employees leave the employ of the City and, accordingly upon separation from service, no monetary obligation exists.

10. Long term obligations

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Leases

The City is a lessee for noncancellable leases of buildings. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The City recognizes lease liabilities with an initial, individual value of $5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are comprised of fixed payments and any purchase option price that the City is reasonably certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of a lease liability. Leased assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

12. Other post-employment benefits (OPEB) liability

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

13. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Categories and classification of net position and fund balance

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

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Fund balance reserve – The City adopted Ordinance 2013-08-17 creating a fund balance reserve. For the general fund, the reserve is the sinking fund committed fund balance, $4,214,979. The reserve is calculated as 15% of the expenditures less capital outlay budgeted for the next fiscal year. For the enterprise funds, the reserve is 20% of the expenditures, less capital outlay, budgeted for the next fiscal year. The reserve for the enterprise funds as of September 30, 2025 is $2,047,984.

Negative fund balance – The Grants Fund, a non-major special revenue fund, has a negative fund balance of $271,867, primarily due to not receiving grants within the period of availability.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and expenditures/expenses

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

Property taxes – 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.

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

G. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowance for doubtful accounts, OPEB liability and pension liability.

H. Subsequent events

Management has evaluated subsequent events through the date the financial statements were available to be issued, June 26, 2026. See Note 8 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Recently issued and implemented accounting pronouncements

GASB Statement No. 101, *Compensated Absences*, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. There were no significant impacts of implementing this Statement. The statement requires retrospective application; however, the change to the opening balances was de minimus.

GASB Statement No. 102, *Certain Risk Disclosures*, this statement was issued December 2023 to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Statement No. 102 did not have a significant impact on the financial statements.

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

GASB Statement No. 103, *Financial Reporting Model Improvements*, this statement was issued April 2024 to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues.

This establishes new accounting and financial reporting requirements—or modifies existing requirements—related to Management's discussion and analysis (MD&A); unusual or infrequent items; presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. This statement will supersede and amend portions of GASB Statements No. 34 and 37.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Recently issued and implemented accounting pronouncements (continued)

This statement further amends portions of GASB Statements No. 14, 41, 42, 44, 49, 56, 58, 61, 62 and 69. Related guidance will also be superseded or amended upon implementation. Statement No. 103 will be effective for the fiscal year ending September 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, this statement was issued September 2024 to provide users of government financial statements with essential information about certain types of capital assets. This requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible rightto- use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Statement No. 104 will be effective for the fiscal year ending September 30, 2026.

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

Note 2: ADJUSTMENTS

The following table summarizes the restatements and adjustments to the City’s beginning net position and fund balance as a result of the change within the financial reporting entity:

	Fund Financial Statements		
	Governmental		
	Building Services Fund	Cherry Lake Park Construction Fund	Nonmajor Funds
9/30/2024 fund balacnce as previously reported	$ 2,114,696	$ 334,429	$ 8,304,427
Change from major to nonmajor presentation	(2,114,696)	(334,429)	2,449,125
9/30/2024 fund balance as restated and adjusted	$ -	$ -	$ 10,753,552

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

As of September 30, 2025, $250,000 of the City's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

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

The investing of public funds with the Florida State Board of Administration (SBA) - Local Government Surplus Funds Trust Fund is governed by Section 218.407, Florida Statutes. The SBA is under regulatory oversight of the State of Florida. The investment pool consists largely of corporate notes and commercial paper. On September 30, 2025, the City had $300,827 invested. The fair value of the City's position in the pool is equal to the value of the pooled shares or net asset value.

The Florida Surplus Asset Fund Trust (Florida SAFE) is a common law trust organized under the laws of the State of Florida as an intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01 of the Florida Statutes. The investment pool consists of obligations guaranteed by the full faith and credit of the United States, U.S. government agency obligations, commercial paper, bank obligations and other obligations permitted by applicable Florida Statutes. At September 30, 2025, the City's share of Florida SAFE was $3,108,086. The fair value of the City's position in the pool is equal to the value of the pooled shares or net asset value.

Under GASB Codification I50: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2025, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City's access to 100 percent of their account value in either external investment pool.

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

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

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

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

Credit risk – Section I50: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The City's investment policy limits investments to securities with specific ranking criteria.

Concentration risk – Section I50: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The City's investment policy does not address concentration risk.

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

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

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

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

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and investments (continued)

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

As of September 30, 2025, the City did not hold any investments which met the criteria set forth in GASB Codification Section 3100 and would be required to be classified within the fair value hierarchy. At September 30, 2025, the City has the following investments:

Investment type	Fair Value	Weighted Average to Maturity	Rating	Agency
Primary government:				
SBA (Florida PRIME)	$ 300,827	47 days	AAAm	S&P
Florida SAFE Stable NAV Fund	3,108,086	60 days	AAAm	S&P
Total primary government	$ 3,408,913			

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2025.

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

B. Accounts receivable

For the water and sewer system and sanitation services, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to September 30, 2025 (unbilled receivable), is estimated and accrued at year end. If payments are not received from customers, services are shut off and deposits are applied against negative balances.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

B. Accounts receivable

All account receivables are shown net of allowances for uncollectable accounts for governmental funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2025, were as follows:

	Accounts Receivable	Unbilled Receivable	Allowance for Uncollectible	Net
General Fund	$ 728,631	$ 303,822	$ (29,815)	$ 1,002,638
Community Redevelopment				
Agency Fund	3,602	-	-	3,602
Fire Operations Fund	2,300	-	-	2,300
Non-major governmental funds	46,589	-	-	46,589
Enterprise Funds:				
Utility System Fund	921,158	1,090,584	(157,236)	1,854,506
Totals	$ 1,702,280	$ 1,394,406	$ (187,051)	$ 2,909,635

Property taxes are considered fully collected (96% of the levy) during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are receivable as of September 30, 2025. There are no other reserves for receivables recorded by the City as of September 30, 2025.

Leases- Lessor

The City accounts for leases in accordance with GASB Statement No. 87, *Leases*. The City's operations consists of an agreement for use of property for (i) transmission and reception of communications signals; (ii) to construct, install, maintain, repair, replace protect and secure communication fixtures and related equipment, cables, accessories and improvements, including the right to construct a communication structure along with any number of associated antennas, an equipment shelter, fencing, and any other accessories necessary to the successful and secure operation of the communications facility . The non-cancelable agreement for the property began in August 2000 with an intial term of five year. The agreement automatically renews for five additional five year terms expiring on July 31, 2030. Monthly rental payments are $1,150 and increase annually by 3% beginning with year two of the initial term. The City recognized $25,971 of lease revenue principal and $2,222 of lease interest for the year ended September 30, 2025. As of September 30, 2025, the lease receivable and deferred inflows of resources related to leases were $143,442 and $131,147, respectively.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2025:

	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 8,806,438	$ 252,925	$ (428,450)	$ 8,630,913
Construction-in-progress	9,737,553	6,187,154	(3,842,853)	12,081,854
Total capital assets, not being depreciated	18,543,991	6,440,079	(4,271,303)	20,712,767
Capital assets, being depreciated:				
Buildings	15,462,791	2,508,052	(4,000)	17,966,843
Improvements/infrastructure	37,448,306	5,737,164	-	43,185,470
Machinery and equipment	12,129,900	2,900,627	(72,120)	14,958,407
Right-to-use leased assets	1,095,504	-	-	1,095,504
Right-to-use subscriptions	1,266,908	30,434	(265,638)	1,031,704
Total capital assets, being depreciated	67,403,409	11,176,277	(341,758)	78,237,928
Less accumulated depreciation for:				
Buildings	(2,732,469)	(435,650)	2,940	(3,165,179)
Improvements/infrastructure	(10,273,440)	(1,119,304)	-	(11,392,744)
Machinery and equipment	(6,733,688)	(1,334,313)	70,263	(7,997,738)
Right-to-use leased assets	(405,858)	(183,090)	-	(588,948)
Right-to-use subscriptions	(387,920)	(284,062)	265,638	(406,344)
Total accumulated depreciation	(20,533,375)	(3,356,419)	338,841	(23,550,953)
Total capital assets, being depreciated, net	46,870,034	7,819,858	(2,917)	54,686,975
Governmental activities capital assets, net	**$ 65,414,025**	**$ 14,259,937**	**$ (4,274,220)**	**$ 75,399,742**

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (continued)

	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 1,160,332	$ -	$ -	$ 1,160,332
Construction-in-progress	9,615,759	17,163,322	(2,297,698)	24,481,383
Total capital assets, not being depreciated	10,776,091	17,163,322	(2,297,698)	25,641,715
Capital assets, being depreciated:				
Buildings and improvements	1,467,098	105,088	-	1,572,186
Water system	23,404,697	3,499,940	-	26,904,637
Sewer system	41,916,044	3,662,965	-	45,579,009
Reclaimed water system	10,801,033	1,472,762	-	12,273,795
Machinery and equipment	3,353,616	285,774	(469)	3,638,921
Total capital assets, being depreciated	80,942,488	9,026,529	(469)	89,968,548
Less accumulated depreciation for:				
Buildings and improvements	(561,342)	(55,439)	-	(616,781)
Water system	(9,830,507)	(772,181)	-	(10,602,688)
Sewer system	(17,776,666)	(1,185,384)	-	(18,962,050)
Reclaimed water system	(3,342,137)	(541,452)	-	(3,883,589)
Machinery and equipment	(2,268,069)	(260,454)	469	(2,528,054)
Total accumulated depreciation	(33,778,721)	(2,814,910)	469	(36,593,162)
Total capital assets, being depreciated, net	47,163,767	6,211,619	-	53,375,386
Business-type activities capital assets, net	**$ 57,939,858**	**$ 23,374,941**	**$ (2,297,698)**	**$ 79,017,101**

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (continued)

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

Governmental activities:		
General government (infrastructure)	$	522,933
Public safety		1,414,805
Transportation		824,316
Parks and recreation		39,057
Economic development		535,414
Physical environment		19,894
Total depreciation and amortization expense - governmental activities	$	3,356,419
Business-type activities:		
Utility system	$	2,814,910
Total depreciation and amortization expense - business-type activities	$	2,814,910

D. Long-term debt and liabilities

Notes payable

On July 24, 2018, the City entered into an interlocal agreement for emergency network radios to benefit and continue the county-wide communication system in place. The purchase price and closing costs amounted to $421,716. Commencing October 31, 2018, payments of $47,158, including interest of 2.53%, are due annually each October 15th through 2028. As of September 30, 2025, the principal outstanding on the note was $134,533.

On September 23, 2021, the City borrowed $3,706,000 and $4,300,000 through a local bank for the purpose of refinancing the Series 2017 note in order to extend the maturity thereof and to lower the debt servie payment with respect to the financing of the public safety complex and to reimburse costs of the public safety complex and the land acquisition and pay costs of the issuance. The Capital Improvement Refunding Revenue Note, Series 2021A and the Taxable Capital Improvement Revenue Note, Series 2021B bear interest of 2.11% and 2.75% per annum, respectively and mature on June 1, 2041. Principal of the Series 2021 notes is payable annually on June 1 of each year commencing June 1, 2022, through and including the maturity date. The notes are secured by a pledge of non-ad valorem revenues of the City. As of September 30, 2025, the principal outstanding on the the Capital Improvement Refunding Revenue Note, Series 2021A and the Taxable Capital Improvement Revenue Note, Series 2021B was $3,122,000 and $3,659,000, respectively.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term debt and liabilities (continued)

On December 9, 2021, the City borrowed $9,986,000 through a local bank for the purpose of financing the right of way acquisitions for State Road 50/33 realignment project and transportation related capital improvements. The Capital Improvement Refunding Revenue Note, Series 2021C bears interest of 1.99% per annum and matures on June 1, 2029. Interest on the series, 2021C note is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2022. Principal of the Series, 2021C note is payable in full on the maturity date. The note is secured by a pledge of non-ad valorem revenues of the City; however, the Florida Department of Transportation (FDOT) is contractually obligated to reimburse the City $9,845,000 (the amount advanced to FDOT for the State Road 50/33 realignment project) in ten equal quarterly payments beginning in Fiscal Year 2025. As of September 30, 2025, the principal outstanding on the the Capital Improvement Revenue Note, Series 2021C was $9,986,000.

On July 24, 2025, the City borrowed $9,849,000 through a local bank for the purpose of funding the acquisition, contruction and equipping of Fire Station No. 3. The Capital Improvement Revenue Note, Series 2025 bears interest of 4.32% per annum and matures on June 1, 2040. Interest on the series, 2025 note is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2025. Principal of the Series 2025 notes is payable annually on June 1 of each year commencing June 1, 2026, through and including the maturity date. The note is secured by a pledge of non-ad valorem revenues of the City. As of September 30, 2025, the principal outstanding on the the Capital Improvement Revenue Note, Series 2025 was $9,849,000.

The City borrowed $520,000 under the State of Florida Revolving Fund Program under a small community pre-construction loan contract for the construction of treatment and transmission facilities. The effective interest rate for the funds borrowed under the program is 0.22%. Pursuant to the contract, semi-annual payments consisting of principal and interest in the amount of $6,793, with a final payment due on March 15, 2041, commenced September 15, 2021. Interest of $4,088 was paid on this note during the year ended September 30, 2025. As of September 30, 2025, the principal outstanding on the note was $203,340. The City is eligible for principal forgiveness on this SRF loan; $239,876 was forgiven.

The City borrowed $3,052,000 under the State of Florida Revolving Fund Program under a small community pre-construction loan contract for the planning activites for water system improvements. The effective interest rate for the funds borrowed under the program is 1.51%. Pursuant to the contract, semi-annual payments consisting of principal and interest in the amount of $169,323, with a final payment due on September 15, 2034, commencing March 15, 2026. No interest was paid on this note during the year ended September 30, 2025. As of September 30, 2025, the principal outstanding on the note was $2,797,403.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term debt and liabilities (continued)

The City borrowed $3,618,580 under the State of Florida Revolving Fund Program under a small community pre-construction loan contract for the treatment and transmission project. The effective interest rate for the funds borrowed under the program is 0.03%. Pursuant to the contract, semi-annual payments consisting of principal and interest in the amount of $1,891,874 commencing February 15, 2026, and semiannually thereafter on August 15 and February 15 of each year until all amount due under the agreement has been fully paid off. No interest was paid on this note during the year ended September 30, 2025. As of September 30, 2025, the principal outstanding on the note was $1,783,301. The City is eligible for principal forgiveness on this SRF loan; $1,630,337 has been forgiven through the year ended September 30, 2025.

The City borrowed $291,720 under the State of Florida Revolving Fund Program under small community pre-construction loan contract for labor, materials, and equipment to plan, design, and construct lead service line replacements. The effective interest rate for the funds borrowed under the program is 0.78%. Pursuant to the contract, semi-annual payments consisting of principal and interest in the amount of $15,158 commencing October 15, 2026, and semiannually thereafter on April 15 and October 15 of each year until all amount due under the agreement has been fully paid off. No interest was paid on this note during the year ended September 30, 2025. As of September 30, 2025, the principal outstanding on the note was $112,435. The City is eligible for principal forgiveness on this SRF loan; $108,025 has been forgiven through the year ended September 30, 2025.

The City borrowed $8,249,000 under the State of Florida Revolving Fund Program under small community pre-construction loan contract for labor, materials, and equipment to construct the water system improvements. The effective interest rate for the funds borrowed under the program is 2.35%. On February 13, 2025, the City received additional financing in the amount of $2,863,180 with an effective interst rate of 1.85%. Pursuant to the contract, semi-annual payments consisting of principal and interest in the amount of $348,207 commencing February 15, 2027, and semiannually thereafter on February 15 and August 15 of each year until all amount due under the agreement has been fully paid off. No interest was paid on this note during the year ended September 30, 2025. As of September 30, 2025, the principal outstanding on the note was $0.

The City borrowed $300,000 under the State of Florida Revolving Fund Program for the planning activities for regional stormwater management. The effective interest rate for the funds borrowed under the program is 1.54%. Pursuant to the contract, semi-annual payments consisting of principal and interest in the amount of $16,670 commencing March 15, 2027, and semiannually thereafter on March 15 and September 15 of each year until all amount due under the agreement has been fully paid off. No interest was paid on this note during the year ended September 30, 2025. As of September 30, 2025, the principal outstanding on the note was $0.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term debt and liabilities (continued)

The City borrowed $38,260,302 under the State of Florida Revolving Fund Program for the Sampey & Sunshine Wastewater Treatment Facility upgrades. The effective interest rate for the funds borrowed under the program is 1.32%. Pursuant to the contract, semi-annual payments consisting of principal and interest in the amount of $1,130,350 commencing November 15, 2027, and semiannually thereafter on May 15 and November 15 of each year until all amount due under the agreement has been fully paid off. No interest was paid on this note during the year ended September 30, 2025. As of September 30, 2025, the principal outstanding on the note was $0.

On February 3, 2021, the City borrowed $7,472,000 through a local bank for the purpose of refunding the City's outstanding senior lien Water & Sewer Bonds and Notes including (1) the outstanding principal and related accrued interest of the City's Water and Sewer Revenue Refunding Bond, Series 2007A maturing in years 2021-2046 in an aggregate principal sum of $3,523,894 (2) the outstanding principal and related accrued interest of the City's Water and Sewer Revenue Refunding Bond, Series 2007B maturing in years 2021-2046 in an aggregate principal amount of $1,585,712 (3) the outstanding principal and related accrued interest of the City's Water and Sewer Revenue Note, Series 2016A maturing in the years 2021-2030 in an aggregate principal amount of $1,383,000 (4) the outstanding principal and related accrued interest of the City's Water and Sewer Revenue Note, Series 2016B maturing in years 2021-2030 in an aggregate principal amount of $3,656,000 (5) pay the costs related to the issuance of the Series 2021 Note. The Water and Sewer Revenue Refuning Note, Series 2021 bears interest at the rate of 2.04% per annum and is payable semiannually on March 1 and September 1, commencing on March 1, 2021. The note matures on September 1, 2040 and is secured by a pledge of the net revenues of the City's combined water and sewer system. As of September 30, 2025, the principal outstanding on the note was $5,978,000.

On October 18, 2023, the City entered into an agreement with a local bank for the Water and Sewer Revenue Note (Subordinate), Series 2023A with a principal amount of $2,000,000. The principal sum is to be paid in installments on each September 1, with all unpaid principal and interest due in full on the maturity date, September 1, 2030, and to pay interest on the outstanding principal amount on March 1 and September 1 of year, commencing on March 1, 2024. The note bears interest of 4.65%. The proceeds of the Series 2023A Note will be used to finance certain capital improvements to the water and sewer utility system of the City and pay related costs of issuance. As of September 30, 2025, the principal outstanding on the note was $1,515,000.

On May 21, 2025, the City entered into an agreement with a local bank Revolving Line of Credit Secondary Subordinated Revenue Note, Series 2025A with an amount not to exceed $15,000,000. The purpose of the line of credit will be to provide financing flexibility for various capital improvement projects. The line shall be a revolving line of credit that may be drawn on or paid down on a revolving basis, with draws limited to no more than one (1) per month and for an amount of no less than $100,000. Interest is due and payable monthly. All principal and unpaid interest is due at maturity. The line will be secured by a third lien subordinated lien on utilities revenue behind the subordinated lien securing existing SRF loans. As of September 30, 2025, the City had a balance outstanding of $100,000 on the line credit.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term debt and liabilities (continued)

The following is a summary of governmental activities notes payable for the year ended September 30, 2025:

	Governmental Activities					
	Capital Improvement Refunding Revenue Note, Series 2021A		Taxable Capital Improvement Revenue Note, Series 2021B		Capital Improvement Revenue Note, Series 2021C	
Year ending September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 166,000	$ 65,874	$ 185,000	$ 100,623	$ -	$ 198,721
2027	170,000	62,372	190,000	95,535	-	198,721
2028	173,000	58,785	196,000	90,310	-	198,721
2029	177,000	55,134	201,000	84,920	9,986,000	198,721
2030	181,000	51,400	206,000	79,393	-	-
2031-2035	960,000	198,235	1,120,000	308,688	-	-
2036-2040	1,068,000	92,502	1,283,000	145,970	-	-
2041-2045	227,000	4,790	278,000	7,645	-	-
Total	3,122,000	589,092	3,659,000	913,084	9,986,000	794,884
Current portion	(166,000)	(65,874)	(185,000)	(100,623)	-	(198,721)
Payable after one year	$ 2,956,000	$ 523,218	$ 3,474,000	$ 812,461	$ 9,986,000	$ 596,163

	Governmental Activities					
	Capital Improvement Revenue Note, Series 2025		Note - Lake County		Total	
Year ending September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 537,000	$ 362,837	$ 43,718	$ 3,440	$ 931,718	$ 731,495
2027	498,000	402,278	44,835	2,322	902,835	761,228
2028	520,000	380,765	45,980	1,176	934,980	729,757
2029	542,000	358,301	-	1,176	10,906,000	698,252
2030	565,000	334,886	-	-	952,000	465,679
2031-2035	3,215,000	1,286,323	-	-	5,295,000	1,793,246
2036-2040	3,972,000	529,243	-	-	6,323,000	767,715
2041-2045	-	-	-	-	505,000	12,435
Total	9,849,000	3,654,633	134,533	8,114	26,750,533	5,959,807
Current portion	(537,000)	(362,837)	(43,718)	(3,440)	(931,718)	(731,495)
Payable after one year	$ 9,312,000	$ 3,291,796	$ 90,815	$ 4,674	$ 25,818,815	$ 5,228,312

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term debt and liabilities (continued)

The following is a summary of business-type activities notes payable for the year ended September 30, 2025:

	Business-type Activities							
Year ending	Clean Water - SRF WW350612		Clean Water - SRF WW350610		Drinking Water - SRF DW350620		Drinking Water - SRF LS650640	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 1,783,301	$ -	$ 12,705	$ 881	$ -	$ 41,122	$ 10,874	$ 810
2027	-	-	12,761	825	297,524	36,612	10,955	730
2028	-	-	12,817	769	302,034	32,034	11,036	649
2029	-	-	12,874	712	306,312	27,387	11,117	567
2030	-	-	12,930	655	311,259	61,650	11,200	485
2031-2035	-	-	65,511	2,418	1,580,274	-	57,253	1,589
2036-2040	-	-	66,966	962	-	-	-	64
2041-2045	-	-	6,776	15	-	-	-	
Total	1,783,301	-	203,340	7,237	2,797,403	198,805	112,435	4,894
Current portion	(1,783,301)	-	(12,705)	(881)	-	(41,122)	(10,874)	(810)
Payable after one year	$ -	$ -	$ 190,635	$ 6,356	$ 2,797,403	$ 157,683	$ 101,561	$ 4,084

	Business-type Activities					
Year ending	Water and Sewer Revenue Refunding Note Series, 2021		Water and Sewer Revenue Refunding Note Series, 2023A		Total	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 345,000	$ 121,951	$ 276,000	$ 70,448	$ 2,427,880	$ 235,212
2027	352,000	114,913	289,000	57,614	962,240	210,694
2028	359,000	107,732	302,000	44,175	986,887	185,359
2029	366,000	100,409	317,000	30,132	1,013,303	159,207
2030	374,000	92,942	331,000	15,392	1,040,389	171,124
2031-2035	1,985,000	347,208	-	-	3,688,038	351,215
2036-2040	2,197,000	136,231	-	-	2,263,966	137,257
2041-2045	-	-	-	-	6,776	15
Total	5,978,000	1,021,386	1,515,000	217,761	12,389,479	1,450,083
Current portion	(345,000)	(121,951)	(276,000)	(70,448)	(2,427,880)	(235,212)
Payable after one year	$ 5,633,000	$ 899,435	$ 1,239,000	$ 147,313	$ 9,961,599	$ 1,214,871

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Leases- Lessee

Governmental Activites

The City is the lessee for the acquisition of various vehicles through financed purchases. The interest rate is 5.64%. Future minimum payments are as follows:

For the years ending September 30,	Principal Payments	Interest Expense	Total
2026	$ 185,292	$ 24,794	$ 210,086
2027	119,387	14,173	133,560
2028	126,277	7,287	133,564
Total	$ 430,956	$ 46,254	$ 477,210

The City has entered into lease agreement to obtain the right-to-use an office building and gymnasium. The total annual rent paid for the fiscal year ended September 30, 2025 was $145,000.

At September 30, 2025, the City's lease payable of $458,877 was composed of the following:

Office building lease for City operations – monthly payments totaling $5,000 for the initial 5-year term and $6,000 per month for the 3-year additional lease term at the option of the tenant, including interest at an annual rate of 0.77%. Payments are due monthly, and the lease, including the additional optional period, expires in September 2028. On August 23, 2023, the City signed the first amendment to the lease agreemnent extending the lease term for an additional 5 years. The additional lease term commences October 1, 2025 and terminates September 30, 2030. Rent was also amended to be paid in annual installments of $60,000 on October 1st of each year beginning October 1, 2023. The lease liability balance was $273,924 at September 30, 2025.

Gymnasium lease for community enrichment programs, focusing on youth, requiring annual payments totaling $85,000 including interest at an annual rate of 3.21%. Payments are due annually, and the lease expires in March 2027. The lease liability balance was $82,319 at September 30, 2025.

Equipment rental agreement for 45 tasers for use by the police department, requiring annual payments totaling $36,724 including interest at an annual rate of 3.50%. Payments are due annually beginning November 2023 with a 5-year term. The lease liability balance was $102,634 at September 30, 2025.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term debt and liabilities (continued)

The following is a schedule by years of minimum future expenses from lease agreements as of September 30:

For the years ending September 30,	Principal Payments	Interest Expense	Total
2026	$ 173,201	$ 6,011	$ 179,212
2027	92,527	2,752	95,279
2028	94,219	1,020	95,239
2029	59,236	345	59,581
2030	39,694	26	39,720
Total	$ 458,877	$ 10,154	$ 469,031

Business-Type Activities

The Utility System Fund is the lessee for the acquisition of various vehicles through financed purchases. The interest rate is 5.64%. Future minimum payments are as follows:

For the years ending September 30,	Payments	Expense	Total
2026	$ 36,079	$ 6,935	$ 43,014
2027	30,012	4,493	34,505
2028	16,402	2,364	18,766
2029	17,547	1,223	18,770
Total	$ 100,040	$ 15,015	$ 115,055

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term debt and liabilities (continued)

Subscription-Based Information Technology Arrangements

The City has nine software arrangements that require recognition under GASBC Section S:80, *Subscription-Based Information Technology Arrangements* (SBITAs). The City now recognizes a subscription liability and an intangible right-to-use subscription asset for various software packages within governmental activities specifically general government and public safety functions.

Subscription payments totaled $302,085 for the fiscal year ended September 30, 2025. The discount rate on these SBITAs range from 3.52% to 3.66%. Expiration dates for each subscription range from November 2023 to September 2028.

The following is a schedule of minimum future payments from SBITAs as of September:

For the years ending September 30,	Principal	Interest	Total
2026	$ 220,166	$ 24,167	$ 244,333
2027	221,132	13,739	234,871
2028	104,147	5,634	109,781
Total	$ 545,445	$ 43,540	$ 588,985

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term debt and liabilities (continued)

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable:					
Capital Improvement Revenue Refunding Note, Series 2021A	$ 3,285,000	$ -	$ (163,000)	$ 3,122,000	$ 166,000
Taxable Capital Improvement Revenue Note, Series 2021B	3,839,000	-	(180,000)	3,659,000	185,000
Capital Improvement Revenue Note, Series 2021C	9,986,000	-	-	9,986,000	-
Capital Improvement Revenue Note, Series 2025	-	9,849,000	-	9,849,000	537,000
Note - Lake County	177,160	-	(42,627)	134,533	43,718
Total notes from direct borrowings	17,287,160	9,849,000	(385,627)	26,750,533	931,718
Compensated absences	1,128,511	30,999	-	1,159,510	562,429
Financed purchases	660,252	-	(229,296)	430,956	185,292
Lease liabilities	627,881	-	(169,004)	458,877	173,201
Subscription liabilities	777,410	30,434	(262,399)	545,445	220,166
Governmental activity long-term liabilities	$ 20,481,214	$ 9,910,433	$ (1,046,326)	$ 29,345,321	$ 2,072,806

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term debt and liabilities (continued)

Changes in long-term liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
State Revolving Loan WW350610	$ 215,989	$ -	$ (12,649)	$ 203,340	$ 12,705
State Revolving Loan DW350620	2,789,057	8,346	-	2,797,403	-
State Revolving Loan WW350612	1,783,301	-	-	1,783,301	1,783,301
State Revolving Loan LS-350640	112,435	-	-	112,435	10,874
Water and Sewer Revenue Refunding Note, Series 2021	6,316,000	-	(338,000)	5,978,000	345,000
Water and Sewer Revenue Refunding Note, Series 2023A	1,779,000	-	(264,000)	1,515,000	276,000
Revolving Line of Credit Secondary Subordinated Revenue Note, Series 2025A	-	100,000	-	100,000	100,000
Total notes from direct borrowings	12,995,782	108,346	(614,649)	12,489,479	2,527,880
Compensated absences	67,667	9,555	-	77,222	47,729
Financed purchases	56,809	82,386	(39,155)	100,040	36,079
Business-type activity long-term liabilities	$ 13,120,258	$ 200,287	$ (653,804)	$ 12,666,741	$ 2,611,688

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

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term debt and liabilities (continued)

Pledged revenues

The City has revenue notes outstanding at September 30, 2025, for which revenues of the City have been pledged for repayment. Revenues pledged to repay these obligations are as follows:

	Amount Issued	Future Principal and Interest	Current Pledged Revenue	Current Year Principal and Interest	Current Percentage of Revenue
Governmental Activities:					
Revenue Notes:					
Capital Improvement Revenue Refunding Note, Series 2021A	$ 3,706,000	$ 3,711,092	$ 20,781,298	$ 231,874	1.1%
Maturity: 2041					
Interest rate: 2.11%					
Purpose: Refinance the Series 2017 Note, reimburse costs of the public safety complex, land acquisition, and related capital improvements					
Pledged revenue: Non-Ad Valorem Revenues					
Taxable Capital Improvement Revenue Note, Series 2021B	$ 4,300,000	$ 4,572,084	$ 20,781,298	$ 285,623	1.4%
Maturity: 2041					
Interest rate: 2.75%					
Purpose: Refinance the Series 2017 Note, reimburse costs of the public safety complex, land acquisition, and related capital improvements					
Pledged revenue: Non-Ad Valorem Revenues					
Capital Improvement Revenue Note, Series 2021C	$ 9,986,000	$ 10,780,884	$ 20,781,298	$ 198,721	1.0%
Maturity: 2029					
Interest rate: 1.99%					
Purpose: Finance a road project					
Pledged revenue: Non-Ad Valorem Revenues					

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term debt and liabilities (continued)

	Amount Issued	Future Principal and Interest	Current Pledged Revenue	Current Year Principal and Interest	Current Percentage of Revenue
Governmental Activities:					
Revenue Notes:					
Capital Improvement Revenue Note, Series 2025	$ 9,849,000	$ 13,503,633	$ 20,781,298	$ 899,837	4.3%
Maturity: 2029					
Interest rate: 1.99%					
Purpose: Finance a road project					
Pledged revenue: Non-Ad Valorem Revenues					

E. Interfund receivables, payables and transfers

	Due from	
	General Fund	Total
Due to:		
Nonmajor governmental funds	$ 253,649	$ 253,649
Total	$ 253,649	$ 253,649

Operating Transfers	Transfers In	Transfers Out	Net
Major Funds:			
General Fund	$ 1,483,500	$ (3,661,800)	$ (2,178,300)
Community Redevelopment Agency Fund	-	(133,200)	(133,200)
Fire Operations Fund	3,601,800	-	3,601,800
Nonmajor governmental funds	3,556,800	(3,963,600)	(406,800)
Utility System Fund	3,151,804	(4,035,304)	(883,500)
Total	$ 11,793,904	$ (11,793,904)	$ -

The transfers from the General Fund to the Fire Operations Fund and nonmajor governmental funds were to set up the new special revenue and capital projects funds. Transfers from the Water and Sewer Fund to the General Fund provides reimbursement for support and payment in lieu of taxes and franchise fees.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

F. Net investment in capital assets

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	$ 75,399,742	$ 79,017,101	$ 154,416,843
Contracts and retainage payable	(173,541)	(587,484)	(761,025)
Accounts payable related to capital assets	(2,264,526)	(12,452,740)	(14,717,266)
Outstanding debt related to capital assets	(28,185,811)	(12,589,519)	(40,775,330)
Net investment in capital assets	$ 44,775,864	$ 53,387,358	$ 98,163,222

G. Retirement plans

The City has established the City of Groveland, Florida 457(b) Retirement Plan, which is a type of tax-advantaged retirement savings plan available to employees of governmental employers in the United States. The purpose of a 457 plan is to provide a way for employees to save for retirement with certain tax benefits. At September 30, 2025, there were 97 participants. Total employee contributions to this plan were $448,993 for the fiscal year ended September 30, 2025.

In October 2018, the City Council approved the adoption of the City of Groveland, Florida 401(a) Retirement Plan. At September 30, 2025, there were 94 participants. The City is required to contribute 4% of eligible compensation and match 100% of employee contributions up to 3% of total eligible compensation for regular employees. For managerial employees, the City is required to contribute 8% of eligible compensation and match 100% of employee contributions up to 6% of total eligible compensation. When the City's police and firefighters entered the Florida Retirement System (FRS) on July 1, 2022, three public safety employees were ineligible to join due to the restriction on renewed membership in FRS for retired Pension Plan members reemployed after July 1, 2010. Consequently, for these three employees, the City contributes 20% of eligible contributions to the 401(a) Plan. Employee contributions to the existing 457 plan are eligible for matching in the 401(a) plan. Employees vest in the employer contribution ratably over the 3 year period following eligibility. Plan provisions and contribution requirements are established and may be amended by the City Council. The City's contributions to the 401(a) Retirement Plans were $587,065 for the fiscal year ended September 30, 2025.

Florida Retirement System

Plan description. The City participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121,

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided. Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $5. The minimum payment is $30 and the maximum payment is $150 per month, pursuant to Section 112.363, Florida Statutes.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

G. Retirement plans (continued)

Contributions. The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer's contribution rates as of September 30, 2025, were as follows:

	FRS	HIS
Regular class	12.03%	2.00%
Special risk class	33.19%	2.00%
Senior management service class	31.24%	2.00%
Elected officials	52.57%	2.00%
DROP from FRS	20.02%	2.00%

The employer's contributions for the year ended September 30, 2025 were $1,733,460 to the FRS Pension Plan and $126,802 to the HIS Program.

Pension Liabilities and Pension Expense. In its financial statements for the year ended September 30, 2025, the City reported a liability for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program. The net pension liabilities were measured as of June 30, 2025. The City's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	$ 8,509,753	$ 1,759,146
Proportion at:		
Current measurement date	0.027419744%	0.013724624%
Prior measurement date	0.025483064%	0.012927222%
Increase in proportionate share	0.001936679%	0.000797402%
Pension expense	$ 2,398,380	$ 290,122

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

G. Retirement plans (continued)

Deferred Outflows/Inflows of Resources Related to Pensions. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 908,931	$ -	$ 10,501	$ (2,791)
Changes of assumptions	988,203	-	15,570	(425,492)
Difference between projected and actual earnings on pension plan investments	-	(1,420,789)	-	(1,464)
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,825,923	-	878,794	-
Employer contributions subsequent to the measurement date	494,100	-	33,924	-
Total	$ 6,217,157	$ (1,420,789)	$ 938,789	$ (429,747)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2025. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2026	$ 12,455,331	$ 104,812
2027	(2,212,980)	125,485
2028	(3,311,807)	105,650
2029	(2,628,276)	84,667
2030	-	54,504
Total	$ 4,302,268	$ 475,118

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

G. Retirement plans (continued)

Actuarial Assumptions. The total pension liability for each of the defined benefit plans was measured as of June 30, 2025. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2025. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2025. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.40%	2.40%
Payroll growth, including inflation	3.50%	3.50%
Investment rate of return	6.70%	N/A
Discount rate	6.70%	5.20%

Mortality assumptions for both plans were based on the PUB-2010 base tables projected generationally with Scale MP-2021. For both plans, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

The following changes in key actuarial assumptions occurred in 2025:

> HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 3.93% to 5.20%.
>
> HIS: All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its meeting in October 2025.

The long-term expected rate of return assumption of 6.70 percent used in GASB discount rate calculations consists of two building block components: 1) a long-term average annual inflation assumption of 2.40 percent as adopted in October 2025 by the FRS Actuarial Assumption Conference; and 2) an inferred real (in excess of inflation) return of 4.20 percent. Geometrically combining those building blocks using the formula (1 + .024) x (1 + .042) - 1 generates an expected nominal return of 6.70 percent. In the opinion of the FRS consulting actuary, both building block components and the overall 6.70 percent return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice. The 6.70 percent reported investment return assumption is the same as the investment return assumption chosen by the 2024 FRS Actuarial Assumption Conference for funding policy purposes. Each asset class assumption is based on a consistent set of underlying assumptions.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

G. Retirement plans (continued)

For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying real return assumptions from the FRS consulting actuary's model combined with the FRS Actuarial Assumption Conference's 2.4% inflation assumption. The FRS consulting actuary's assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1.0%	3.2%	3.2%
Fixed income	29.0%	5.5%	5.4%
Global equity	45.0%	8.5%	6.9%
Real estate	12.0%	8.4%	7.1%
Private equity	11.0%	12.4%	8.8%
Strategic investments	2.0%	6.5%	6.1%
Total	100%		

Discount Rate. The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.70%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 5.20% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index rate as of June 30, 2025 was used as the applicable municipal bond index.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

G. Retirement plans (continued)

Sensitivity Analysis. The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	FRS			HIS		
	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Employer's proportionate share of the net pension liability	$ 16,700,260	$ 8,509,753	$ 1,642,951	$ 1,983,720	$ 1,759,146	$ 1,570,800

Pension Plans' Fiduciary Net Position. Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

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

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

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

Funding policy. Contribution rates for the insurance are established on an annual basis. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute toward the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate, which includes active employees constitutes a significant economic benefit to retirees, or an OPEB obligation of the City. The City is currently funding this OPEB obligation on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses. OPEB liabilities are liquidated by the respective funds that are obligated for the related costs. For governmental activities, OPEB liabilities are generally liquidated by the general fund. For the year ended September 30, 2025, the City estimated it subsidized $246 of medical costs for its retirees and their covered dependents.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

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

As of September 30, 2025, no trust has been established for the other postemployment benefits.

Plan membership. At October 1, 2024, OPEB membership consisted of the following:

	Number of Covered Individuals
Inactive members currently receiving benefits	-
Inactive members entitled to but not yet receiving benefits	-
Active members	147
Total	147

Actuarial assumptions and other inputs. The total OPEB liability in the September 30, 2025 actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.00 % projected annual salary increase
Discount rate	4.47 % investment rate of return
Health care cost trend rates	7.00 % trending down to 4.50%

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

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

The October 1, 2024 actuarial valuation included changes in assumptions for the discount rate and in the health care cost trend rates. The methods, assumptions, and participant data used are detailed in the actuarial valuation report dated October 1, 2024. These calculations are based on the Entry Age Normal cost method required by GASBC P52.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

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

At September 30, 2025, the City reported a total OPEB liability of $982,797. The other postemployment benefit information has been provided as of the September 30, 2025 measurement date.

Change in total OPEB liability	Increase (Decrease) Total OPEB Liability
Balance, at September 30, 2024	$ 949,429
Service cost	74,110
Expected interest growth	42,434
Change in assumptions	(82,930)
Benefit payments	(246)
Net changes	33,368
Balance, at September 30, 2025	$ 982,797

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

	1% Decrease (3.47%)	Current Discount Rate (4.47%)	1% Increase (5.47%)
Net OPEB Liability	$ 1,321,826	$ 982,797	$ 740,417

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

	1% Decrease (6.00%)	Ultimate Trend (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 707,168	$ 982,797	$ 1,387,400

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB. For the fiscal year ended September 30, 2025, the City recognized an OPEB expense of $83,532.

At September 30, 2025, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 312,914	$ 556,787
Total	$ 312,914	$ 556,787

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

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

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

Years ending September 30,		
2026	$	(33,012)
2027		(33,012)
2028		(33,012)
2029		(33,012)
Thereafter		(111,825)
Total	$	(243,873)

Note 4: RISK MANAGEMENT

The City is a member of Public Risk Management of Florida (the pool), a local government liability risk pool. The pool administers insurance activities relating to property, general liability, police, professional, automobile liability, public officials' liability, workers' compensation, and boiler and machinery. The pool absorbs losses up to a specified amount for each pool year and purchases excess and other specific coverage's from third-party carriers. The pool assesses each member its pro rata share of the estimated amount required to meet current year losses and operating expenses. If total member assessments do not produce sufficient funds to meet its obligations, the pool can make additional limited assessments. Losses, if any, in excess of the pools ability to assess its members would revert back to the member that incurred the loss. There has been no significant reduction in insurance coverage from the prior year, and no settlements in excess of insurance coverage in any of the prior three years. There were no additional assessments levied against the City for the fiscal year ended September 30, 2025. The cost of the insurance is allocated among the appropriate departments and funds.

Note 5: COMMITMENTS AND CONTINGENCIES

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

Note 5: COMMITMENTS AND CONTINGENCIES (Continued)

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2025. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

The City has active construction projects as of September 30, 2025. At year-end, the City's commitments with contractors are as follows:

Community Redevelopment Agency Fund	$	199,695
Non-major governmental funds		74,692,715
Utility System Fund		1,030,960
Total outstanding commitments	$	75,923,370

Note 6: ASSET RETIREMENT OBLIGATIONS

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

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

Note 7: TAX ABATEMENTS

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

Note 7: TAX ABATEMENTS (Continued)

Benefitting businesses are required to file an annual performance report on the anniversary date of the execution of the performance agreement to verify compliance with the terms and conditions of the Performance Agreement. For the fiscal year ending September 30, 2025, the City had the following agreements:

Kroger Co. of Ohio - The City entered into an Economic Development Agreement (Agreement) with Kroger Co. of Ohio on July 1, 2019 in which, Kroger Co. of Ohio agreed to construct a 350,000 square foot robotically operated fulfillment center that to source, package, and prepare grocery products for delivery to consumers and create 350 full-time jobs. The agreement remains in effect for a period of fifteen years after the date the City issues a final certificate of occupancy for the fulfillment center. The City waived $261,250 in City permit fees, paid $213,750 in City permit fees to Alpha Inspections, Inc. and paid $431,000 in City impact fees on behalf of Kroger Co. of Ohio. In addition, the City agreed to pay Kroger Co. of Ohio, a $500,000 job growth incentive payment plus a rebate of City ad valorem taxes on real property and tangible personal property over ten years that gradually decreases from 80% to 10% of the incremental increase in ad valorem taxes on the real property and tangible personal property over said period. In exchange, Kroger Co. of Ohio, agreed to invest, by July 1, 2021, a total of $55 million ($45 million in real property and $10 million in tangible personal property) and within nine months of the final certificate of occupancy, create 350 full-time jobs with an average annual payroll of $14 million. Kroger Co. of Ohio's investment will create new jobs, promote state and local economic development and stimulate business and commercial activity in the City. Kroger closed their fulfillment center during 2025 terminating the agreement. See subsequent event footnote for the recapturing of tax abatements.

Ocado Solutions, USA, Inc. - The City entered into an Economic Development Agreement (Agreement) with Ocado Solutions, USA, Inc. on January 21, 2020 in which Ocado Solutions, USA, Inc. agreed to install robotics technology at Kroger Co. of Ohio's 350,000 square robotically operated fulfillment center and create 60 full-time jobs. The agreement remains in effect for a period of fifteen years after the date the City issues a final certificate of occupancy for the fulfillment center to be constructed by Kroger of Ohio. The City agreed to pay OCADO a $60,000 job growth incentive payment plus a rebate of City ad valorem taxes on tangible personal property over ten years that gradually decreases from 80% to 10% of the incremental increase in ad valorem taxes on the tangible personal property over said period. In exchange, Ocado Solutions, USA, Inc. agreed to, by December 31, 2022, create 60 fulltime jobs with an average annual salary of $60,000 each and invest $70 million in robotics technology. Ocado Solutions, USA, Inc. investment will create new jobs, promote state and local economic development and stimulate business and commercial activity in the City. Ocado Solutions closed their fulfillment center during 2025 terminating the agreement. See subsequent event footnote for the recapturing of tax abatements.

Note 8: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2025 through June 26, 2026, the date the current year's financial statements were available to be issued. The following events occurred:

On October 6, 2025, Ordinance 2025-21 was adopted establishing regulations governing the operation of cemeteries within the City, including the Oak Tree Union Colored Cemetery of Taylorville, which is no longer active and does not accept burials, and Greenwood Cemetery, which remains active.

On November 19, 2025, the City drew $8.0 million on its line of credit established on May 21, 2025. The proceeds are intended to provide interim financing pending receipt of reimbursements from applicable parties.

On December 15, 2025, the Kroger and Ocado tax abatement agreements were terminated, resulting in tax incentive repayment obligations of $1,460,233 and $802,917, respectively.

The City received the first of ten scheduled quarterly payments of $984,500 from the Florida Department of Transportation on July 1, 2025, related to the State Road 50 project. Three additional quarterly payments were subsequently received. The aggregate from the three payments were used to make a principal-only payment on the related debt on June 1, 2026, in the amount of $2,953,500. The City anticipates issuing approximately $12 million of debt in July 2026 to finance the South Lake Regional Park project. Principal payments on the debt are expected to be partially offset by quarterly payments of $466,250 received from Lake County pursuant to existing agreements.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Groveland
FLORIDA
City with Natural Charm

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City of Groveland, Florida
Schedule of Proportionate Share of Net Pension Liability
Last Ten Fiscal Years

Florida Retirement System (FRS)	**2025**	**2024**	**2023**	**2022**
Employer's proportion of the net pension liability (asset)	**0.027419744%**	**0.025483064%**	**0.022863875%**	**0.000000000%**
Employer's proportionate share of the net pension liability (asset)	**$ 8,509,753**	**$ 9,858,048**	**$ 9,110,531**	**$ -**
Employer's covered payroll [(2)]	**$ 6,159,316**	**$ 5,470,958**	**$ 5,102,336**	**$ -**
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	**138.16%**	**180.19%**	**178.56%**	**0.00%**
Plan fiduciary net position as a percentage of the total pension liability	**87.26%**	**83.70%**	**82.38%**	**0.00%**

Health Insurance Subsidy Program (HIS)	**2025**	**2024**	**2023**	**2022**
Employer's proportion of the net pension liability (asset)	**0.013724624%**	**0.012927222%**	**0.012868651%**	**0.000000000%**
Employer's proportionate share of the net pension liability (asset)	**$ 1,759,146**	**$ 1,939,210**	**$ 2,043,713**	**$ -**
Employer's covered payroll [(2)]	**$ 6,159,316**	**$ 5,470,958**	**$ 5,102,336**	**$ -**
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	**28.56%**	**35.45%**	**40.05%**	**0.00%**
Plan fiduciary net position as a percentage of the total pension liability	**6.36%**	**4.80%**	**4.12%**	**0.00%**

Notes to schedule:

[(1)] The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

[(2)] GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73* , were implemented during fiscal year 2017. Covered payroll shown includes the payroll for defined benefit plan actives, members in DROP and investment plan members.

[(3)] GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, the City is presenting information only for those years for which it is available.

Florida Retirement System (FRS)	2025	2024	2023	2022
Contractually required contribution	$ 1,733,460	$ 1,481,091	$ 1,156,670	$ 1,481,091
Contributions in relation to the contractually required contribution	(1,733,460)	(1,481,091)	(1,156,670)	(1,481,091)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Employer's covered payroll [1]	$ 6,365,225	$ 5,592,259	$ 5,199,068	$ 1,270,752
Contributions as a percentage of covered payroll	27.23%	26.48%	22.25%	116.55%

Health Insurance Subsidy Program (HIS)	2025	2024	2023	2022
Contractually required contribution	$ 126,802	$ 111,855	$ 90,989	$ 111,855
Contributions in relation to the contractually required contribution	(126,802)	(111,855)	(90,989)	(111,855)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Employer's covered payroll [1]	$ 6,365,225	$ 5,592,259	$ 5,199,068	$ 1,270,752
Contributions as a percentage of covered payroll	1.99%	2.00%	1.75%	8.80%

Notes to schedules:

(1) Covered payroll includes the payroll for defined benefit actives, members in DROP and investment plan members.

(2) GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

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

September 30,	2025	2024	2023	2022	2021	2020	2019
Total OPEB Liability - beginning	**$ 949,429**	**$ 669,337**	**$ 520,182**	**$ 1,107,840**	**$ 1,075,967**	**$ 817,004**	**$ 755,286**
Changes due to:							
Service cost	74,110	72,518	55,803	30,733	56,083	48,234	39,195
Interest	42,434	26,567	24,705	50,842	24,638	22,715	22,657
Change in assumptions	(82,930)	181,304	68,820	(668,874)	(48,690)	188,184	-
Benefit payments	(246)	(297)	(173)	(359)	(158)	(170)	(134)
Net changes in total OPEB liability	33,368	280,092	149,155	(587,658)	31,873	258,963	61,718
Total OPEB Liability - ending (a)	**$ 982,797**	**$ 949,429**	**$ 669,337**	**$ 520,182**	**$ 1,107,840**	**$ 1,075,967**	**$ 817,004**
Plan fiduciary net position (b)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
OPEB liability - ending (a) - (b)	**$ 982,797**	**$ 949,429**	**$ 669,337**	**$ 520,182**	**$ 1,107,840**	**$ 1,075,967**	**$ 817,004**
Covered-employee payroll for measurement period	$ 10,220,824	$ 10,156,715	$ 10,156,715	$ 8,751,150	$ 8,751,150	$ 5,834,221	$ 5,831,221
OPEB liability as a percentage of covered-employee payroll	9.62%	9.35%	6.59%	5.94%	12.66%	18.44%	14.01%

Notes to schedule:

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

(2) The following discount rate was used in each period:
9/30/2019 - 3.00%
9/30/2020 - 2.30%
9/30/2021 - 2.29%
9/30/2022 - 4.59%
9/30/2023 - 4.75%
9/30/2024 - 3.97%
9/30/2025 - 4.47%

For the year ended September 30, 2025	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 11,718,400	$ 11,718,400	$ 11,660,642	$ (57,758)
Franchise and utility taxes	3,916,500	4,092,500	4,346,718	254,218
License and permits	927,600	1,052,600	1,395,744	343,144
Intergovernmental	3,288,700	3,301,700	3,445,965	144,265
Charges for services	3,810,700	3,810,700	4,391,811	581,111
Fines and forfeitures	70,700	70,700	64,434	(6,266)
Investment income	276,300	326,300	671,964	345,664
Miscellaneous revenue	78,300	281,280	455,754	174,474
Total revenues	24,087,200	24,654,180	26,433,032	1,778,852
EXPENDITURES				
Category:				
General government	7,400,900	7,824,662	6,180,163	1,644,499
Public safety	8,683,300	9,331,299	8,589,663	741,636
Transportation	1,403,200	1,403,197	1,283,708	119,489
Economic development	431,400	450,375	41,720	408,655
Physical environment	2,881,800	3,057,800	3,014,898	42,902
Parks and recreation	1,807,400	1,883,199	1,593,088	290,111
Capital outlay	885,600	1,567,537	683,570	883,967
Debt service:				
Principal	-	-	359,730	(359,730)
Interest and fiscal charges	-	-	38,988	(38,988)
Total expenditures	23,493,600	25,518,069	21,785,528	3,732,541
Excess (deficit) of revenues over expenditures	593,600	(863,889)	4,647,504	5,511,393
OTHER FINANCING SOURCES				
Transfers in	1,483,500	1,483,500	1,483,500	-
Transfers out	(3,551,800)	(3,661,800)	(3,661,800)	-
Subscription proceeds	-	-	30,434	30,434
Sale of capital assets	-	800,000	10,519	(789,481)
Total other financing sources	(2,068,300)	(1,378,300)	(2,137,347)	(759,047)
Net change in fund balance	(1,474,700)	(2,242,189)	2,510,157	4,752,346
Fund balance, beginning of the year	10,543,532	10,543,532	10,543,532	-
Fund balance, end of year	$ 9,068,832	$ 8,301,343	$ 13,053,689	$ 4,752,346

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

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

For the year ended September 30, 2025	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 1,383,700	$ 1,383,700	$ 1,377,302	$ (6,398)
Investment income	5,000	5,000	71,028	66,028
Miscellaneous revenue	20,000	20,000	54,499	34,499
Total revenues	1,408,700	1,408,700	1,502,829	94,129
EXPENDITURES				
Transportation	-	6,300	1,699	4,601
Public safety	33,500	33,500	31,120	2,380
Economic development	486,500	523,700	265,244	258,456
Parks and recreation	61,100	94,651	19,208	75,443
Capital outlay	1,501,200	1,736,766	313,279	1,423,487
Total expenditures	2,082,300	2,394,917	630,550	1,764,367
Excess (deficiency) of revenues over (under) expenditures	(673,600)	(986,217)	872,279	1,858,496
OTHER FINANCING SOURCES				
Transfers out	(133,200)	(133,200)	(133,200)	-
Total other financing sources	(133,200)	(133,200)	(133,200)	-
Net change in fund balance	(806,800)	(1,119,417)	739,079	1,858,496
Fund balance, beginning of year	1,168,678	1,168,678	1,168,678	-
Fund balance, end of year	$ 361,878	$ 49,261	$ 1,907,757	$ 1,858,496

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

City of Groveland, Florida
Budgetary Comparison Schedule – Fire Operations Fund

For the year ended September 30, 2025	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Permits, fees & special assessments	$ 2,704,300	$2,704,300	$ 2,687,879	$ (16,421)
Intergovernmental	232,300	234,300	294,807	60,507
Investment earnings	30,000	45,000	64,984	19,984
Miscellaneous revenue	-	72,000	74,516	2,516
Total revenues	2,966,600	3,055,600	3,122,186	66,586
EXPENDITURES				
Public safety	6,363,300	6,566,026	6,526,884	39,142
Capital outlay	-	6,277	6,277	-
Total expenditures	6,363,300	6,572,303	6,533,161	39,142
Excess (deficiency) of revenues over (under) expenditures	(3,396,700)	(3,516,703)	(3,410,975)	105,728
OTHER FINANCING SOURCES				
Transfers in	3,491,800	3,601,800	3,601,800	-
Total other financing sources	3,491,800	3,601,800	3,601,800	-
Net change in fund balance	95,100	85,097	190,825	105,728
Fund balance, beginning of year	423,124	423,124	423,124	-
Fund balance, end of year	$ 518,224	$ 508,221	$ 613,949	$ 105,728

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

A. BUDGETARY INFORMATION

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

1. Prior to the end of the fiscal year, the City Finance Director submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public budget workshops are held where the Mayor, City Council, City Manager and department heads refine budget detail items.
3. The general summary of the budget and notice of public hearing is published in the local newspaper.
4. Public hearings are conducted to obtain taxpayer comments.
5. Prior to October 1, the budgets are legally enacted through passage of a resolution.
6. The City Manager is authorized to transfer budgeted amounts within a department; however, any revisions that alter the total appropriations of any department must be approved by a majority vote of the City Council.
7. The level of classification detail at which expenditures may not legally exceed appropriations is the department level.
8. Unexpended, unencumbered appropriations lapse at the close of the fiscal year.
9. Budgets are adopted for the general fund and community redevelopment fund on a basis consistent with generally accepted accounting principles, except as described below under Budget Basis of Accounting. Budgets are also adopted for the enterprise funds: however, this data is not presented under generally accepted accounting principles.
10. The City Council, by Ordinance, may make supplemental appropriations in excess of those originally estimated for the year up to the amount of available revenues. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions.

Budgetary basis of accounting

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

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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*

To the City Council
City of Groveland, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Groveland, Florida's (the "City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated June 26, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described below as item 2025-001 that we consider to be a material weakness.

2025-001 CAPITAL ASSETS

CRITERIA: Management is responsible for maintaining accurate accounting records and ensuring transactions are recorded in accordance with generally accepted accounting principles (GAAP). Governmental entities should properly record capital asset additions, disposals, transfers, gains and losses on disposals, and subscription-based information technology arrangement assets and related liabilities.

CONDITION: During our audit procedures, several errors related to the recording of capital assets and subscriptions: (i) A fixed asset disposal related to governmental activities did not properly record proceeds at the fund level. A sale of land within the Cherry Lake Park Construction Fund was recorded incorrectly, with a portion of the proceeds recognized as donation revenue rather than a gain. (ii) Additions and disposals of subscription assets related to governmental activities were not recorded upon modification or termination of the related subscriptions. (iii) One leased vehicle was not properly disposed.

CAUSE: The errors resulted from inadequate review of capital asset and subscription asset activity, insufficient monitoring of changes to subscriptions, and a lack of review of system-generated accounting entries associated with CIP transfers. Additionally, procedures were not in place to ensure proceeds from asset disposals and land sales were consistently classified in accordance with applicable accounting guidance.

EFFECT: As a result of these errors: (i) For governmental activities, gain on sale of fixed assets was understated and revenue was overstated by approximately $350,000 due to the improper recording of land sale proceeds. (ii) Subscription assets related to governmental activities were overstated by approximately $284,543, representing the net effect of an unrecorded subscription asset addition of $30,434 and an unrecorded subscription asset disposal of $314,977. (iii) for governmental activities equipment and the related accumulated depreciation were overstated by $40,449.

RECOMMENDATION: We recommend that management strengthen internal controls over capital asset and subscription asset accounting by: Implementing procedures to review and reconcile all capital asset additions, disposals, transfers, and related proceeds on a timely basis. Establishing processes to identify and record SBITA asset additions, modifications, and terminations as they occur in accordance with GASB Statement No. 96. During fiscal year 2026, management has purchased the Tyler fixed asset module training support which will allow for more timely tracking and updating of fixed assets and SBITAs.

MANAGEMENT RESPONSE: Management agrees with the finding and recognizes the importance of maintaining accurate capital asset and subscription-based information technology arrangement (SBITA) records in accordance with generally accepted accounting principles. The errors identified during the audit were primarily related to the timing, classification, and review of capital asset and SBITA activity, including asset disposals, modifications, and system-generated accounting entries.

To address these issues, management has implemented additional review procedures over capital asset activity. Effective fiscal year 2026, Finance staff will perform a quarterly reconciliation of capital asset records to supporting documentation and the general ledger, rather than the prior annual review process. These reconciliations will include a review of capital asset additions, disposals, transfers, construction-in-progress transfers, related proceeds, and associated depreciation activity to ensure accounting transactions are recorded accurately and timely.

Management has purchased additional training support for the Tyler fixed asset module, which was previously underutilized. The training will assist Finance staff in maximizing the functionality of the module to improve the tracking, monitoring, and reporting of capital assets and related activity. Implementation

of these enhanced system capabilities, combined with the quarterly reconciliation process, will improve the timeliness and accuracy of capital asset record maintenance and financial reporting.
Management will continue to evaluate and strengthen its capital asset procedures to promote accurate financial reporting and compliance with applicable accounting standards.

Report on Compliance and Other Matters

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

City of Groveland, Florida's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

Melbourne, Florida
June 26, 2026

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Mayor and City Council
City of Groveland, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Groveland, Florida (the "City") as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 26, 2026.

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 Chapter; and 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Reports on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 26, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Prior Year Management Letter Comments:*		
2024-001	**BUILDING PERMITS**	Corrected

* The findings listed above originated in the fiscal year 2024 audit.

Official Title and Legal Authority

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

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

Component Unit	Established by:
Groveland Community Redevelopment Agency	City Ordinance

Financial Condition and Management

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

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

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

2025-002 CENSUS DATA

CRITERIA: Management is responsible for maintaining complete and accurate employee census data and ensuring that information provided to the actuary for Other Post-Employment Benefits (OPEB) valuations is reviewed for accuracy and completeness prior to submission. Accurate census data, including employee hire dates and other demographic information, is necessary to ensure the reliability of actuarial calculations and financial reporting.

CONDITION: Eight out of the fifty-one participants tested were identified with inaccurate information. Specifically, discrepancies were noted between employee onboarding documentation and the census data provided for the actuarial valuation. In several instances, employee onboarding forms contained incorrect hire dates, and these inaccuracies were subsequently included in the census report submitted to the actuary.

CAUSE: The inaccuracies resulted from deficiencies in controls over employee data entry and maintenance, including errors in onboarding documentation and the absence of a formal review process for validating census data before it was provided to the actuary.

EFFECT: The use of inaccurate census data may result in incorrect actuarial assumptions and calculations, potentially affecting the accuracy of the OPEB liability, related expenses, and financial statement disclosures. In addition, inaccurate employee records increase the risk of errors in future benefit calculations and reporting.

RECOMMEDATION: Management should strengthen controls over employee data collection and maintenance by implementing procedures to verify critical employee information, including hire dates, during the onboarding process. Additionally, management should establish and document a formal review process to validate the completeness and accuracy of census data prior to submission to the actuary. This review should include reconciliation of key employee data elements to supporting personnel records and documentation of supervisory review and approval.

MANAGEMENT RESPONSE: Management concurs with the finding and recommendation. Human Resources will strengthen onboarding and data verification procedures to ensure critical employee information, including hire dates, is accurately recorded and maintained. The City will also implement a formal review and reconciliation process, including supervisory approval, before census data is submitted to the actuary. These actions will improve internal controls, enhance data accuracy, and reduce the risk of future reporting errors.

Property Assessed Clean Energy (PACE) Programs (Unaudited)

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City did not operate a PACE program pursuant to Section 163.081 or Section 163.082, Florida Statutes, within the City's geographical boundaries during the fiscal year under audit.

Special District Component Units

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

Additional Matters

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

Purpose of this Letter

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

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

Melbourne, Florida
June 26, 2026

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

The Honorable Mayor and City Council
City of Groveland, Florida

We have examined the City of Groveland, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2025. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements to the engagement.

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

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2025.

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

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

Melbourne, Florida
June 26, 2026

City of Groveland, Florida

REQUIRED COMMUNICATIONS

September 30, 2025

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June 26, 2026

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

We are pleased to present the results of our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Groveland, Florida (the "City") for the year ended September 30, 2025.

This report to the Mayor and the City Council summarizes our audit, the reports issued and various analyses and observations related to the City's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the City's basic financial statements for the year ended September 30, 2025. We considered the City's current and emerging needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of City personnel.

At Carr, Riggs & Ingram, L.L.C. (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

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

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 321.255.0088 or cnollrhan@CRIadv.com.

Very truly yours,

Christine E. Noll-Rhan

Christine E. Noll-Rhan, CPA
Partner
Carr, Riggs & Ingram, L.L.C.

As discussed with management during our planning process and communicated to the City Council in our engagement letter to you dated December 18, 2024, our audit plan represented an approach responsive to the assessment of risk for the City. Specifically, we planned and performed our audit to:

- Perform audit services, as required by Section 218.39 of the Florida Statutes, 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 and Chapter 10.550 of the Rules of the Auditor General, in order to express an opinion on the City's basic financial statements for the year ended September 30, 2025;

- 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*;

- Communicate directly with the Mayor, City Council and management regarding the results of our procedures;

- Address with the Mayor, City Council and management any accounting and financial reporting issues;

- Anticipate and respond to concerns of the Mayor, City Council and management; and

- Address other audit-related projects as they arise and upon request.

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information including the related notes to the financial statements of the City of Groveland, Florida for the year ended September 30, 2025, and have issued our report thereon dated June 26, 2026. Professional standards also require that we communicate to you the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Auditor's responsibility under Generally Accepted Auditing Standards, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General	As stated in our engagement letter dated December 18, 2024, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP) and to report on the fairness of supplementary information as described in the engagement letter when considered in relation to the financial statements as a whole. Our audit of the financial statements does not relieve you or management of your responsibilities. Required supplementary information, such as management's discussion and analysis is required by general accepted accounted principals and will be subjected to certain limited procedures, but will not be audited. As part of our audit, we considered the internal control of the City of Groveland, Florida, and its compliance with laws and regulations and internal controls related to the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Client's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position and results of operations in conformity with the applicable framework. Management, with oversight from those charged with governance, is responsible for the design and implementation of programs and controls to prevent and detect fraud. Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork. The timing was later than originally expected due to the timing of receiving information from the City.
Management judgments and accounting estimates *The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.*	Please see the following section titled "*Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality*."
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the City and how they are disclosed.*	No such risks or exposures were noted.
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles • *The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.* • *The auditor should also discuss the auditor's*	Significant accounting policies used by the City are described in Note 1 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncements: • GASB Statement No. 101, *Compensated Absences* • GASB Statement No. 102, *Certain Risk Disclosures* The adoption of GASB Statement No. 101 and 102

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
judgement about quality, not just the acceptability, of the City's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. *Critical accounting policies and practices applied by the City in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations.* • *Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor. Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.*	had no significant impact on the financial statements. We noted no transactions entered into by the City during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. Further, the disclosures in the City's financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were: • The disclosure of the OPEB liability in Note 3.H. to the financial statements due to the significance of the assumptions used in the actuarial valuation. • The long term debt amounts in Note 3.D. due to the significance of the amounts and when the amounts are due to be paid.
Significant difficulties encountered in the audit *Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.*	We encountered no significant difficulties in dealing with management in performing and completing our audit.
Disagreements with management *Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditor's report. This does not include those that came about based on incomplete facts or preliminary information.*	We are pleased to report that no such disagreements arose during the course of our audit.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Other findings or issues *Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.*	See "*Independent Auditor's Management Letter*" in the City's financial statements.
Matters arising from the audit that were discussed with, or the subject of correspondence with, management *Conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.*	None noted.
Corrected and uncorrected misstatements *All significant audit adjustments arising from the audit, whether or not recorded by the City, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Mayor and City Council about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.*	See "*Summary of Audit Adjustments*" section.
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Consultations with other accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	To our knowledge, there were no such consultations with other accountants.
Written representations *A description of the written representations the auditor requested (or a copy of the representation letter).*	See "*Draft Management Representation Letter*" section.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Internal control deficiencies *Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.*	See "*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*" and the "*Independent Auditors' Management Letter*" in the City's financial statements.
Fraud and illegal acts *Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.*	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other information in documents containing audited financial statements *The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.
Required Supplementary Information *The auditor's responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.*	We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
Disagreements with management *Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditor's report. This does not include those that came about based on incomplete facts or preliminary information.*	We are pleased to report that no such disagreements arose during the course of our audit.
Significant unusual accounting transactions *Auditor communication with governance to include auditor's views on policies and practices management used, as well as the auditor's understanding of the business purpose.*	No significant unusual accounting transactions were noted during the year.
Supplementary Information in relation to the financial statements as a whole *The auditor's responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.*	We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.
Other information accompanying the financial statements *The auditor's responsibility for the other information accompanying the financial statements.*	We were not engaged to report on the other information, which accompany the financial statements but are not RSI. Such information has not be subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do no express an opinion or provide any assurance on it.

We are required to communicate our judgments about the quality, not just the acceptability, of the City's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The Mayor, City Council and management may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Investments	For investments in external investment pools that do not meet the criteria set forth in Section In5: *Investment Pools (External)* of the GASB Codification, the fair value of the investment is determined by the fair value per share of the pool's underlying portfolio. Investments in external investment pools that that meet the criteria set forth in Section In5: *Investment Pools (External)* of the GASB Codification are reported at amortized cost. The City follows the provisions of Section I50: *Investments*, of the GASB Codification when reporting investments.	X	The City relies on investment valuation information from the investment pool sponsors based on financial market information.	The City's policies are in accordance with all applicable accounting guidelines and GASB.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Lease receivables	Lease receivables are initially measured at the net present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. The City follows the provisions of Section L20: *Leases*, of the GASB Codification when reporting the net present value on leases.	X	Management's estimate of the lease receivables are based the net present value calculated based on the lease terms.	We evaluated the key factors and assumptions used to develop the estimated net present values in determining that they are reasonable in relation to the financial statements taken as a whole.
Depreciation of Capital Assets	The City follows the provisions of Section 1400: *Reporting Capital Assets*, of the GASB Codification when reporting depreciation of its capital assets.	X	Management's estimate of the useful lives of capital assets is based on the historical lives of similar assets and market prices.	We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that they are reasonable in relation to the financial statements taken as a whole. Based on the audit procedures we performed with respect to the City's capital assets, we noted that the City estimates the useful lives of capital assets in accordance with all applicable standards and guidelines of GASB.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Compensated Absences	Liabilities for compensated absences attributable to services already rendered are accrued as employees earn the rights to those benefits. The City follows the provisions of Section C60: *Compensated Absences*, of the GASB Codification when reporting these liabilities.	X	The City estimates the accrued liabilities for compensated absences using leave balances accrued at the end of the fiscal year multiplied by the pay rate in effect for each employee as of the end of the fiscal year.	The City's policies are in accordance with all applicable accounting guidelines and GASB.
Other Post-Employment Benefits (OPEB) and Related Deferred Outflows of Resources	The City follows the provisions of Section P52: *Postemployment Benefits Other Than Pensions –Reporting for Benefits Not Provided Through Trusts*, of the GASB Codification when reporting its OPEB liability and related costs.	X	Management's estimate of the other postemployment benefit liability is based on healthcare costs and employment assumptions developed by management. A third party actuary utilized these assumptions to calculate the year-end liability.	We evaluated the key factors and assumptions in determining they are reasonable in relation to the financial statements taken as a whole. Based on the audit procedures we performed with respect to the City's OPEB Plan, we noted that it appears the City accounts for its OPEB liability and related costs in accordance with all applicable standards and guidelines of GASB.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Defined benefit pension plan	The City participates in the Florida Retirement System (FRS) Pension Plan and Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer plan administered by the State of Florida, Department of Management Services, Division of Retirement. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. This report provides each participating employer with estimates of the total pension liability, fiduciary net position, related deferred outflows/inflows and actuarially required contributions in accordance with the provisions of GASB 68.	X	Key assumptions utilized by the actuary in making the estimates in accordance with GASB 68. The total pension liability was determined by an actuarial valuation.	We evaluated the assumptions used by the actuary in estimating the City's total pension liability, the fiduciary net position, and the related deferred outflows/inflows and found them to be in accordance with the provisions of GASB 68 and reasonable in relation to the financial statements taken as a whole.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Amortization of right-to-use assets, determination of discount rate for lease liability and fair value of underlying asset.	The City amortizes right-to-use assets using the straight-line method and has utilized the incremental borrowing rate to determine the lease liability and the fair value of the underlying assets.	X	The City amortizes right-to-use assets over the shorter period of the lease term or the useful life of the asset which is based on the experience with similar assets and guidance provided by GASB Statement No. 87, *Leases*. Similarly, using past experience with similar assets and the guidance provided by GASB Statement No. 87, *Leases*, the City has utilized the incremental borrowing rate to determine the measurement of the lease liability, interest payments and fair value of the underlying asset.	We evaluated the key factors and assumptions used to develop the estimated useful lives, discount rate and fair value of assets in determining that they are reasonable in relation to the financial statements taken as a whole.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Amortization of right-to-use SBITA assets, determination of discount rate for the SBITA liabilities and fair value of underlying assets.	The City amortizes right-to-use SBITA assets using the straight-line method and has utilized the incremental borrowing rate to determine the SBITA liability and the fair value of the underlying assets.	X	The City amortizes right-to-use lease and SBITA assets over the shorter period of the subscription term or the useful life of the assets which is based on the experience with similar assets and guidance provided by GASB 96, Subscription-Based Information Technology Arrangements. Similarly, using past experience with similar assets and the guidance provided by GASB Statement No. 96, Subscription-Based Information Technology Arrangements, the City has utilized the incremental borrowing rate to determine the measurement of the SBITA liability, interest payments and fair value of the underlying asset.	We evaluated the key factors and assumptions used to develop the estimated useful lives, incremental borrowing rate and fair value of assets in determining that they are reasonable in relation to the financial statements taken as a whole.

During the course of our audit, we accumulate differences between amounts recorded by the City and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the City or passed (uncorrected). Uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditor's judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

The following adjustments were corrected by the City:

Adjusting Journal Entries JE # 1			
To reverse SRF loan proceeds for amounts not received.			
120.384004	SRF Loan Proceeds - SW350630	$ 120,000	
406.384002	SRF Loan Proceeds - DW350621	4,447,146	
120.133100	Due From Other Governments		$ 120,000
406.133100	Due From Other Governments		4,447,146
Total		**$ 4,567,146**	**$ 4,567,146**

Adjusting Journal Entries JE # 2			
Entry to correct capital asset gain at fund level (Fund 324 - Cherry Lake Park Construction).			
324.366930	DONATIONS	$ 350,000	
324.364000	Gain/Los Sale Of Capital Assets		$ 350,000
Total		**$ 350,000**	**$ 350,000**

Adjusting Journal Entries JE # 3			
To correct CIP transfers to fixed assets originally recorded as gain on sale and take out of CIP.			
400.364000	Gain/Loss Sale of Capital Assets	$ 2,297,697	
400.169900	Construction In Progress		$ 2,297,697
Total		**$ 2,297,697**	**$ 2,297,697**

Adjusting Journal Entries JE # 4			
To record proceeds and capital outlay for additional ClearGov licenses.			
001.516100.644	Capital Outlay	$ 30,434	
001.384999	Other Financing Sources - SBITA		$ 30,434
Total		**$ 30,434**	**$ 30,434**

Adjusting Journal Entries JE # 5			
To record insurance proceeds for damaged police vehicle.			
200.517104.714	Principal - Equipment Financing	$ 22,174	
200.369902	Insurance Proceeds		$ 22,174
Total		**$ 22,174**	**$ 22,174**

There were no adjustments uncorrected, as a result of our audit procedures.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the City's operating environment that has been identified as playing a significant role in the City's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

June 26, 2026

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

7506 Lynx Way Suite 201

Melbourne, Florida 32940

This representation letter is provided in connection with your audit of the financial statements of City of Groveland, Florida (the "City"), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 26, 2026, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 18, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3) We acknowledge our responsibility for 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.
4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to

related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the City and involves—

    - Management,
    - Employees who have significant roles in internal control, or
    - Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the names of the City's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have taken timely and appropriate steps to remedy identified and suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.

21) We have a process to track the status of audit findings and recommendations.

22) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.

23) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

24) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

25) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

27) We have appropriately identified, recorded, and disclosed all leases in accordance with GASB Statement (GASBS) No. 87 .

28) We have appropriately disclosed or recognized conduit debt obligations and/or certain arrangements associated with conduit debt obligations in accordance with GASBS No. 91 .

29) We have appropriately disclosed identified, recorded, and disclosed public-private and public-public partnerships and availability payment arrangements in accordance with GASBS No. 94 .

30) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with GASBS No. 96 .

31) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

32) We have appropriately measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASBS No. 101 .

33) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

34) As part of your audit, you assisted with preparation of the financial statements and disclosures, required supplementary information and other information. We acknowledge our responsibility

as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures, required supplementary information, and other information.

35) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

36) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

37) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

38) The financial statements include all fiduciary activities required by GASBS No. 84 , as amended.

39) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended.

40) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

41) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

42) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.

43) Provisions for uncollectible receivables have been properly identified and recorded.

44) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

45) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

46) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

47) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.

48) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

49) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

50) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

51) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Compliance with Florida Statute 218.415(17)

52) The City is in compliance with Florida Statute 218.415(17), *Local Government Investment Policies*, in all respects.

   1) We are responsible for complying with Florida Statute 218.415(17), *Local Government Investment Policies.*

   2) We are responsible for establishing and maintaining effective internal control over compliance.

   3) We have performed an evaluation of the City's compliance with Florida Statute 218.415(17), *Local Government Investment Policies.*

   4) All relevant matters are reflected in the measurement or evaluation of the City's compliance with the specified requirements.

   5) We are responsible for selecting the specified requirements and for determining that the specified requirements are appropriate for our purposes.

   6) We have disclosed to you all known noncompliance with Florida Statute 218.415(17), *Local Government Investment Policies*, including noncompliance occurring after September 30, 2025, if any.

   7) We have provided you with all relevant information and access to information and personnel in connection with your examination of compliance with Florida Statute 218.415(17), *Local Government Investment Policies.*

   a) We have disclosed to you all known matters that may contradict the City's compliance with the specified requirements and we have disclosed to you all communications from regulatory agencies, consultants and others regarding possible noncompliance with Florida Statute 218.415(17), *Local Government Investment Policies*, including communications received between September 30, 2025 and the date of this letter.

Signature: ______________________________ Signature: ______________________________
Title: ______________________________ Title: ______________________________