

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014**

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Supervisors  
Loxahatchee Groves Water Control District  
Palm Beach County, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Loxahatchee Groves Water Control District, Palm Beach County, Florida (the "District") as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2014, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

### **Report on Other Legal and Regulatory Requirements**

We have also issued our report dated March 2, 2015, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.



March 2, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Loxahatchee Groves Water Control District, Palm Beach County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2014 resulting in a net position balance of \$1,485,190.
- The District's total net position increased by \$82,852 in comparison with the prior year. The key components of the District's net position and change in net position are reflected in the table in the following section.
- At September 30, 2014, the District's governmental fund reported ending fund balance of \$930,812, an increase of \$70,409 in comparison with the prior year. Of the total fund balance, \$421,138 is restricted for debt service and capital projects, \$39,488 is assigned for subsequent year's expenditures, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the physical environment function.

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: governmental funds.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District'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 District maintains one individual governmental fund for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

### 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.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

Key components of the District's net position are reflected in the following table:

	NET POSITION SEPTEMBER 30,	
	2014	2013
Assets, excluding capital assets	\$ 3,111,677	\$ 3,478,264
Capital assets, net of depreciation	984,162	625,067
Total assets	<u>4,095,839</u>	<u>4,103,331</u>
Liabilities, excluding long-term liabilities	63,434	249,810
Long-term liabilities	2,547,215	2,451,183
Total liabilities	<u>2,610,649</u>	<u>2,700,993</u>
Net position		
Net investment in capital assets	652,684	(1,396,080)
Restricted	402,403	2,399,999
Unrestricted	430,103	398,419
Total net position	<u>\$ 1,485,190</u>	<u>\$ 1,402,338</u>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in 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.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position increased during the most recent fiscal year. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

Key elements of the change in net position are reflected in the following table:

	2014	2013
Revenues:		
Program revenues		
Charges for services	\$ 1,104,798	\$ 3,616,117
Operating grants and contributions	369,959	348,591
General revenues	36,515	13,547
Total revenues	<u>1,511,272</u>	<u>3,978,255</u>
Expenses:		
Physical environment	1,349,148	3,405,629
Interest	79,272	79,198
Total expenses	<u>1,428,420</u>	<u>3,484,827</u>
Change in net position	<u>82,852</u>	<u>493,428</u>
Net position - beginning, previously stated	1,402,338	929,070
Effect of adoption of GASB No. 65	-	(20,160)
Net position - beginning, as restated	<u>1,402,338</u>	<u>908,910</u>
Net position - ending	<u>\$ 1,485,190</u>	<u>\$ 1,402,338</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2014 was \$1,428,420. The costs of the District's activities were primarily funded by program revenues. Program revenues were comprised primarily of assessments for both the 2014 and 2013 fiscal years; however, the District also received funds from intergovernmental revenues. In addition, the District received funds from investment earnings which are included in general revenues. Total revenues decreased primarily due to the District recognizing the levy of a 10 year debt service assessment in the prior year. The majority of the decrease in expenses relates to expenses reported in the prior year for conveyances of certain roads to the Town of Loxahatchee Groves.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2014 was amended to increase revenues by \$189,833, increase appropriations by \$98,600, increase other financing sources by \$25,381, and increase fund balance by \$116,614. The increase in expected revenues was to adjust for additional grant revenue that was not included in the original budget. The increase in appropriations was primarily to adjust for additional canal maintenance services.

## GENERAL BUDGETING HIGHLIGHTS (Continued)

The variance between budgeted and actual general fund revenues for the current fiscal year is primarily the result of the District not receiving as much grant revenue compared to the budgeted amount. Actual general fund expenditures for the fiscal year ended September 30, 2014 exceeded appropriations by \$451,298. The overexpenditures were funded by available fund balance. The actual expenditures were higher than appropriations primarily due to the District not budgeting for the capital lease entered into in the current year. It should be noted that the board approved the capital lease at the September 11, 2013 meeting. Generally accepted accounting principles direct that governmental funds report an expenditure equal to the present value of minimum lease payments at the inception of a capital lease. Minimum lease payments include all the payments over the life of the lease.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2014, the District had \$2,405,934 invested in land, land improvements, infrastructure, buildings and equipment. In the government-wide financial statements, depreciation of \$1,421,772 has been taken, which resulted in a net book value of \$984,162. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2014, the District had \$2,129,375 in Notes outstanding and \$331,478 for Capital lease outstanding. More detailed information about the District's debt is presented in the notes of the financial statements.

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

It is anticipated that the general operations of the District will remain fairly constant during fiscal year 2015.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, landowners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Loxahatchee Groves Water Control District's at P.O. Box 407, Loxahatchee, FL 33470.



**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	475,876
Investments	206
Accounts receivable	85,082
Restricted assets:	
Cash	421,138
Debt assessments receivable	2,129,375
Capital assets:	
Depreciable assets, net of accumulated depreciation:	
Fencing	14,758
Bridges	188,001
Canal Gates	241,583
Machinery & Equipment	480,613
Nondepreciable assets:	
Land and land improvements	59,207
Total assets	<u>4,095,839</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	44,699
Accrued interest payable	18,735
Non-current liabilities:	
Due within one year	323,627
Due in more than one year	<u>2,223,588</u>
Total liabilities	<u>2,610,649</u>
<b>NET POSITION</b>	
Net investment in capital assets	652,684
Restricted for debt service	100,068
Restricted for capital projects	302,335
Unrestricted	<u>430,103</u>
Total net position	<u><u>1,485,190</u></u>

See notes to the financial statements

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

<u>Functions/Programs</u>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
Physical environment	\$ 1,349,148	\$ 1,028,592	\$ 369,959	\$ 49,403
Interest on long-term debt	79,272	76,206	-	(3,066)
Total governmental activities	1,428,420	1,104,798	369,959	46,337
General revenues:				
Unrestricted investment earnings				5,535
Gain on the sale of fixed assets				30,980
Total general revenues				36,515
Change in net position				82,852
Net position - beginning				1,402,338
Net position - ending				\$ 1,485,190

See notes to the financial statements

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	General	Total Governmental Funds
<b>ASSETS</b>		
Cash	\$ 475,876	\$ 475,876
Investments	206	206
Accounts receivable	85,082	85,082
Debt assessments receivable	2,129,375	2,129,375
Restricted cash	421,138	421,138
Total assets	3,111,677	3,111,677
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued expenses	44,699	44,699
Compensated absences	6,791	6,791
Total liabilities	51,490	51,490
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - special assessments	2,129,375	2,129,375
Total deferred inflows of resources	2,129,375	2,129,375
 Fund balances:		
Restricted for:		
Debt service	118,803	118,803
Capital outlay	302,335	302,335
Assigned to:		
Subsequent year's expenditures	39,488	39,488
Unassigned	470,186	470,186
Total fund balance	930,812	930,812
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 3,111,677	 \$ 3,111,677

See notes to the financial statements

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

Fund balance - governmental funds \$ 930,812

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 governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation, in the net position of the government as a whole.

Cost of capital asset	2,405,934	
Accumulated depreciation	<u>(1,421,772)</u>	984,162

Assets recorded in the governmental fund financial statements that are not available to pay for current-period expenditures are unavailable revenue in the governmental funds.

2,129,375

Liabilities are not due and payable from current available resources and are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Accrued interest payable	(18,735)	
Compensated absences	(79,571)	
Capital lease	(331,478)	
Note payable	<u>(2,129,375)</u>	<u>(2,559,159)</u>

Net position of governmental activities \$ 1,485,190

See notes to the financial statements

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	General	Total Governmental Funds
<b>REVENUES</b>		
Maintenance assessments	\$ 1,028,592	\$ 1,028,592
Debt assessments	320,831	320,831
Interest income	5,535	5,535
Grant revenue	171,462	171,462
Intergovernmental revenue	191,225	191,225
Other income	7,272	7,272
Total revenues	1,724,917	1,724,917
<b>EXPENDITURES</b>		
Current:		
Physical environment	1,278,159	1,278,159
Debt service		
Principal	334,685	334,685
Interest	72,644	72,644
Capital outlay	421,538	421,538
Total expenditures	2,107,026	2,107,026
Excess (deficiency) of revenues over (under) expenditures	(382,109)	(382,109)
<b>OTHER FINANCING SOURCES</b>		
Capital lease	421,538	421,538
Sale of capital assets	30,980	30,980
Total other financing sources	452,518	452,518
Net change in fund balance	70,409	70,409
Fund balance - beginning	860,403	860,403
Fund balance - ending	\$ 930,812	\$ 930,812

See notes to the financial statements

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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

Net change in fund balance - total governmental funds	\$ 70,409
Certain revenues were unavailable for the governmental fund financial statements in the prior fiscal year. In the current fiscal year, these revenues were recorded in the governmental fund financial statements.	(244,625)
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(62,443)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.	334,685
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in compensated absences	(8,546)
Change in accrued interest	(6,628)
Change in net position of governmental activities	\$ 82,852

See notes to the financial statements

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

Loxahatchee Groves Water Control District ("District") was created in April 1917 pursuant to Chapter 6458, Florida Statutes. The District was established for the purposes of reclaiming, draining, and irrigating the land within the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 6458, Florida Statutes.

The Board has the responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide and Fund Financial Statements**

The basic financial statements include both 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 non-fiduciary activities of the primary government.

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

### **Assessments**

Maintenance assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1.

Debt assessments are non-ad valorem assessments on certain benefited property within the District. Debt assessments were levied over ten years to pay for the debt service related to the Series 2011 Note which was issued to pay for four roadway pavement projects and a roadway bridge culvert crossing. Debt assessments receivable recorded in the General Fund represent the balance of outstanding assessments levied by the Town to repay the outstanding debt. Debt assessments receivable are collected in annual instalments in amounts sufficient to meet the annual debt service requirements in the same manner as maintenance assessments.

Assessments 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. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The District reports the following major governmental fund:

### **General Fund**

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

### **Assets, Liabilities and Net Position or Equity**

#### **Restricted Assets**

These assets represent cash and investments set aside pursuant to Note covenants or interlocal agreements.

#### **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;



## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity (Continued)

- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Note proceeds are required to be held in investments as specified in the Note agreement.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

### Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, infrastructure and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	4 -10
Infrastructure	25 - 50

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

### Compensated Absences

It is the District's policy to permit employees to accumulate, within certain limits, earned but unused vacation and sick pay benefits, which will be paid to employees upon separation from the District's service. The District uses the vesting method to accrue sick leave for employees who are eligible to receive payments upon separation, as well as those expected to become eligible in the future. A liability for accrued compensated absences of the governmental activities is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations.

Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund only if they have matured. Compensated absence is liquidated through the general fund.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Position or Equity (Continued)

#### Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

#### Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s). For example, when an asset is recorded in the governmental fund financial statements, but the revenue is unavailable, the District reports a deferred inflow of resources on the balance sheet until such times as the revenue becomes available.

#### Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Note covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Other Disclosures

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

## NOTE 4 – DEPOSITS AND INVESTMENTS

### Deposits

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

### Investments

The District's investments were held as follows at September 30, 2014:

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturities</u>
FLORIDA PRIME	\$ 206	S&P AAAM	Weighted average of the
Total Investments	<u>\$ 206</u>		fund portfolio: 39 days

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer.

*Interest rate risk* – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 19,067	\$ -	\$ -	\$ 19,067
Land improvements	40,140	-	-	40,140
Total capital assets, not being depreciated	59,207	-	-	59,207
Capital assets, being depreciated				
Buildings	49,779	-	-	49,779
Fencing	17,567	-	-	17,567
Culverts	180,000	-	-	180,000
Bridges	286,942	-	-	286,942
Canal gates	503,285	-	-	503,285
Pump stations	28,295	-	-	28,295
Machinery & equipment	942,374	421,538	(83,053)	1,280,859
Total capital assets, being depreciated	2,008,242	421,538	(83,053)	2,346,727
Less accumulated depreciation for:				
Buildings	(49,779)	-	-	(49,779)
Fencing	(2,458)	(351)	-	(2,809)
Culverts	(180,000)	-	-	(180,000)
Bridges	(94,744)	(4,197)	-	(98,941)
Canal gates	(251,636)	(10,066)	-	(261,702)
Pump stations	(28,295)	-	-	(28,295)
Machinery & equipment	(835,470)	(47,829)	83,053	(800,246)
Total accumulated depreciation	(1,442,382)	(62,443)	83,053	(1,421,772)
Total capital assets, being depreciated, net	565,860	359,095	-	924,955
Governmental activities capital assets, net	\$ 625,067	\$ 359,095	\$ -	\$ 984,162

Depreciation expense of \$62,443 was charged to physical environment for the fiscal year ended September 30, 2014.

## NOTE 6 – CAPITAL LEASES

In the current fiscal year the District entered into lease agreements for financing the acquisition of a tractor/mower and a backhoe/excavator both at an annual interest rate of 3.30%. The lease agreements qualify as capital leases for accounting purposes. The leases both end in February 2018. The assets acquired through the capital leases are:

Asset:		
Machinery and equipment	\$	421,538
Less accumulated depreciation		(21,077)
Net	\$	<u>400,461</u>

The future minimum lease payments as of September 30, 2014 are:

Year ending September 30:	Governmental Activities
2015	90,060
2016	90,060
2017	90,060
2018	90,060
Total minimum lease payments	360,240
Less: amount representing interest	(28,762)
Present value of minimum lease payments	\$ <u>331,478</u>

## NOTE 7 – LONG-TERM LIABILITIES

On December 20, 2011, the District issued a \$2.6 million Special Assessment Promissory Note, Series 2011, to BankUnited. The Note bears interest at 3.06% and is secured by all of the pledged assessments from the benefiting properties. Interest will accrue on this Note and shall be payable on February 1 and August 1 of each year, commencing February 1, 2012. Principal will be payable in ten annual installments on August 1 of each year, commencing August 1, 2013. The proceeds of the Note will be used to fund four roadway pavement projects, a roadway bridge culvert crossing, and the cost of issuing the Note.

On August 14, 2012, the District and BankUnited entered into the first amendment to the Loan Agreement, whereby it was determined that the Benefited Property will be benefited by each of the five subprojects. Therefore, the District covenants that it has and will cause the Special Assessments to be levied and collected each year, commencing with the fiscal year beginning October 1, 2012 in such amounts as shall produce an amount at least sufficient to pay the principal and interest on the Note as they become due and payable. The District may, however, also use funds received from other sources to pay debt service; however, the receipt of such moneys by the District shall not diminish, or otherwise affect the assessment of benefits against each parcel of the benefited property or the District's obligation under the loan agreement. Assessments to service the debt were levied for fiscal year 2014 and included on the fiscal year 2014 tax roll.

Changes in long-term liability activity for the fiscal year ended September 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Series 2011	\$ 2,374,000	\$ -	\$ 244,625	\$ 2,129,375	\$ 238,400
Capital lease	-	421,538	90,060	331,478	78,436
Compensated Absences	77,183	70,349	61,170	86,362	6,791
Governmental activity long-term liabilities	\$ 2,451,183	\$ 491,887	\$ 395,855	\$ 2,547,215	\$ 323,627

## NOTE 7 – LONG-TERM LIABILITIES (Continued)

At September 30, 2014, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2015	\$ 238,400	\$ 65,159	\$ 303,559
2016	245,600	57,864	303,464
2017	253,600	50,348	303,948
2018	261,400	42,588	303,988
2019-2022	1,130,375	87,819	1,218,194
Total	<u>\$ 2,129,375</u>	<u>\$ 303,778</u>	<u>\$ 2,433,153</u>

## NOTE 8 – INTERLOCAL AGREEMENTS

### Palm Beach County

In August 2005, the District entered into an interlocal agreement with Palm Beach County in the amount of \$190,000 for the construction of an equestrian trail and installation of base rock material along certain roadways (“the project”). The District received the funds during the fiscal year ended September 30, 2006. During the fiscal years ended September 30, 2007 – September 30, 2009, the District incurred costs of \$150,000 on the project. During the current fiscal year, the District transferred the unused \$40,000 to the Town of Loxahatchee Groves with the approval of the Palm Beach County Board of Commissioners, the Town of Loxahatchee Groves Town Council, and the Loxahatchee Groves Water Control District Board of Supervisors.

### Town of Loxahatchee Groves (“Town”)

In June 2009, the District and the Town entered into an interlocal agreement for the funding of construction, reconstruction and maintenance of public roads located in the Town. Pursuant to the agreement, the Town will reimburse the District for services rendered using funds received from its local option fuel taxes. For the fiscal year ended September 30, 2014, the agreement was amended such that the reimbursement would be an amount not to exceed \$150,000. The District received this amount during the current fiscal year and it is reported as intergovernmental revenue.

In addition, the Town and the District also have an interlocal agreement whereby the District will perform road repairs on Town roads and be reimbursed by the Town as provided for in the agreement. During the current fiscal year, the District expended and requested reimbursement of \$41,225. The amount was received during the fiscal year ended September 30, 2014 and is reported as intergovernmental revenue.

## NOTE 9 – PENSION PLAN

*Plan Description:* The District participates in the Florida Retirement System (FRS), a cost-sharing multiple-employer Public Employment Retirement System (PERS). Substantially all full-time employees qualify to participate in the PERS. The Florida Retirement system is a noncontributory plan administered by the State of Florida. Benefits are computed based on age, years of service and average compensation of the final five years.

*Funding Policy:* The System is noncontributory for covered employees. The District’s contribution rates ranged from 6.95% to 18.31% of the salary of eligible employees for the fiscal year ended September 30, 2014. Additionally, employees are required to contribute 3%. Article X, Section 14 of the State Constitution and Part VII, Chapter 112 of the Florida Statutes provide the authority to amend the contribution rates and obligations. The District’s contributions for pension obligations to the System for the fiscal years ended September 30, 2014, 2013, and 2012 were \$40,702, \$24,747, \$25,411 respectively. All amounts have been paid in the respective years.

Copies of the FRS annual report for the year ended June 30, 2014 may be obtained by contacting the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or by calling (850) 488-2879.

## **NOTE 9 – PENSION PLAN (Continued)**

### **Pronouncements Issued, But Not Yet Adopted:**

Summary of Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

## **NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

## **NOTE 11 – OTHER INFORMATION**

In August 2012, the District suffered severe damage from Tropical Storm Isaac as a result of an unusual amount of precipitation. From August 26<sup>th</sup> 2012 to August 27<sup>th</sup> 2012 the District recorded over twelve inches of rain at its D Road canal flood gate, and significant flooding occurred when water levels exceeded the canal banks and over-topped many of the District's roads. The canal water levels were normalized within five days of the storm; however, standing water remained on a significant portion of the property comprised by, and adjacent to the District. In fiscal year 2013, the District entered into agreements with the United States Department of Agriculture ("USDA") to receive funding to make repairs to damage from Isaac. The grant is cost reimbursement grant where the USDA will provide 75% of actual eligible costs. Revenue related to this agreement in fiscal year 2014 was \$171,462. Subsequent to year end the District submitted a final reimbursement request in the amount of \$63,726 for expenditures incurred subsequent to year end.

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Maintenance assessments	\$1,012,184	\$ 1,021,649	\$ 1,028,592	\$ 6,943
Debt assessments	292,800	320,831	320,831	-
Interest income	-	-	5,535	5,535
Grant revenue	-	236,774	171,462	(65,312)
Intergovernmental revenue	233,925	149,301	191,225	41,924
Other income	12,620	12,807	7,272	(5,535)
Total revenues	1,551,529	1,741,362	1,724,917	(16,445)
<b>EXPENDITURES</b>				
Current:				
Physical environment	1,249,484	1,333,461	1,278,159	55,302
Debt service	305,644	317,269	407,329	(90,060)
Capital outlay	2,000	4,998	421,538	(416,540)
Total expenditures	1,557,128	1,655,728	2,107,026	(451,298)
Excess (deficiency) of revenues over (under) expenditures	(5,599)	85,634	(382,109)	(467,743)
<b>OTHER FINANCING SOURCES</b>				
Prior year reserves	5,599	-	-	-
Note proceeds	-	-	421,538	421,538
Sale of capital assets	-	30,980	30,980	-
Total other financing sources	5,599	30,980	452,518	421,538
Net change in fund balances	\$ -	\$ 116,614	70,409	\$ (46,205)
Fund balances - beginning			860,403	
Fund balances - ending			\$ 930,812	

See notes to required supplementary information



**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2014 was amended to increase revenues by \$189,833, increase appropriations by \$98,600, increase other financing sources by \$25,381, and increase fund balance by \$116,614. The increase in expected revenues was to adjust for additional grant revenue that was not included in the original budget. The increase in appropriations was primarily to adjust for additional canal maintenance services.

The variance between budgeted and actual general fund revenues for the current fiscal year is primarily the result of the District not receiving as much grant revenue compared to the budgeted amount. Actual general fund expenditures for the fiscal year ended September 30, 2014 exceeded appropriations by \$451,298. The overexpenditures were funded by available fund balance. The actual expenditures were higher than appropriations primarily due to the District not budgeting for the capital lease entered into in the current year. It should be noted that the board approved the capital lease at the September 11, 2013 meeting. Generally accepted accounting principles direct that governmental funds report an expenditure equal to the present value of minimum lease payments at the inception of a capital lease. Minimum lease payments include all the payments over the life of the lease.



**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 Board of Supervisors  
Loxahatchee Groves Water Control District  
Palm Beach County, 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 and the major fund of Loxahatchee Groves Water Control District, Palm Beach County, Florida ("District") as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated March 2, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

We noted a matter involving the internal control over financial reporting and compliance that we have reported to management of the District in a separate letter dated March 2, 2015.

The District's response to the finding identified in our audit is described in the accompanying Management Letter. We did not audit the District's response and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Bhav & Associates*

March 2, 2015



**Grau & Associates**  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY  
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors  
Loxahatchee Groves Water Control District  
Palm Beach County, Florida

We have examined Loxahatchee Groves Water Control District, Palm Beach County, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2014. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2014.

This report 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, management, and the Board of Supervisors of Loxahatchee Groves Water Control District, Palm Beach County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Associates*

March 2, 2015



**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors  
Loxahatchee Groves Water Control District  
Palm Beach County, Florida

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Loxahatchee Groves Water Control District, Palm Beach County, Florida ("District") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 2, 2015.

**Auditor's Responsibility**

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

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 2, 2015, should be considered in conjunction with this management letter.

**Purpose of this Letter**

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Supervisors of Loxahatchee Groves Water Control District, Palm Beach County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Loxahatchee Groves Water Control District, Palm Beach County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

*Grau & Associates*

March 2, 2015

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### **2014-01 Budget:**

Observation: Actual expenditures exceeded appropriations in the general fund for the fiscal year ended September 30, 2014.

Recommendation: The District should amend the budget during the fiscal year or within statutory guidelines to ensure that all expenditures are properly budgeted.

Management Response: As disclosed in the Notes to Required Supplementary Information, actual expenditures exceeded appropriations as a result of the District not budgeting for the entire amount of the debt service for capital leases for equipment executed during the fiscal year. The District will budget or amend the budget within statutory guidelines for expenditures related to capital lease agreements or debt agreements going forward.

Management accepts Grau & Associates' Observation and Recommendation.

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

### III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2013.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2014, except as noted above.

3. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2014.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2014 financial audit report.

6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

## **REPORT TO MANAGEMENT (Continued)**

7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2014. It is management's responsibility to monitor 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.