

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2017**

**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, 2017, 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, 2017, 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.

### Emphasis of Matter

On March 23, 2018, the Florida Governor signed HB 1093 into law which requires a referendum on or before October 1, 2018, regarding dissolving the District as an independent special district and making it a dependent district of the Town of Loxahatchee Groves, Florida.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of proportionate share of net pension liability, and schedules of pension contributions 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 May 2, 2018, 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 May 2, 2018, 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.

*B. Law & Associates*

May 2, 2018

## 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, 2017. 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 plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the close of the fiscal year ended September 30, 2017 resulting in a net position balance of \$861,475.
- The District's total net position decreased by (\$72,689) 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, 2017, the District's governmental fund reported ending fund balance of \$573,482, a decrease of (\$47,653) in comparison with the prior year. Of the total fund balance, \$434,779 is held at BankUnited and is restricted for debt service and resurfacing of certain roads according to the Series 2011 Special Assessment Note Agreement. The remainder, \$138,703, 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, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being 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 governmental fund for external reporting. Information is presented 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 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 plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources 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,	
	2017	2016
Assets, excluding capital assets	\$ 2,057,777	\$ 2,308,111
Capital assets, net of depreciation	794,021	877,523
Total assets	2,851,798	3,185,634
Deferred outflows of resources	209,386	230,726
Total assets and deferred outflows	3,061,184	3,416,360
Liabilities, excluding long-term liabilities	103,644	52,794
Long-term liabilities	2,042,136	2,416,125
Total liabilities	2,145,780	2,468,919
Deferred inflows of resources	53,929	13,277
Total liabilities and deferred inflows	2,199,709	2,482,196
Net position		
Net investment in capital assets	686,284	675,775
Restricted	425,126	426,204
Unrestricted	(249,935)	(167,815)
Total net position	\$ 861,475	\$ 934,164

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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

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

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

	CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2017	2016
Revenues:		
Program revenues		
Charges for services	\$ 1,079,536	\$ 1,082,672
Operating grants and contributions	75,089	102,813
General revenues	2,005	5,047
Total revenues	<u>1,156,630</u>	<u>1,190,532</u>
Expenses:		
Physical environment	1,175,559	1,297,963
Interest	53,760	64,325
Total expenses	<u>1,229,319</u>	<u>1,362,288</u>
Change in net position	<u>(72,689)</u>	<u>(171,756)</u>
Net position - beginning	934,164	1,105,920
Net position - ending	<u>\$ 861,475</u>	<u>\$ 934,164</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2017 was \$1,229,319. The costs of the District's activities were primarily funded by program revenues. Program revenues were comprised primarily of assessments for both the current and prior 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 less intergovernmental revenue received in the current fiscal year. The majority of the decrease in expenses relates to decreased payroll and maintenance costs in the current fiscal year.

## 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, 2017 was amended to decrease revenues by (\$15,598), increase appropriations by \$20,911, and increase use of fund balance by \$36,509. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2017, the District had \$2,468,499 invested in capital assets for its governmental activities. In the government-wide financial statements, depreciation of \$1,674,478 has been taken, which resulted in a net book value of \$794,021. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2017, the District had \$1,387,375 in Notes outstanding and \$107,737 for Capital lease outstanding for its governmental activities. 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

On March 23, 2018, the Florida Governor signed HB 1093 into law which requires a referendum on or before October 1, 2018, regarding dissolving the District as an independent special district and making it a dependent district of the Town of Loxahatchee Groves, Florida.

## 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, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 145,462
Investments	324
Accounts receivable	89,837
Restricted assets:	
Cash	434,779
Debt assessments receivable	1,387,375
Capital assets:	
Depreciable assets, net of accumulated depreciation:	
Fencing	13,705
Bridges	175,410
Canal Gates	211,385
Machinery & Equipment	334,314
Nondepreciable assets:	
Land and land improvements	59,207
Total assets	2,851,798
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	209,386
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	93,991
Accrued interest payable	9,653
Non-current liabilities:	
Net pension liability	488,620
Due within one year	363,160
Due in more than one year	1,190,356
Total liabilities	2,145,780
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	53,929
 <b>NET POSITION</b>	
Net investment in capital assets	686,284
Restricted for debt service	109,881
Restricted for resurfacing of certain roads (see Note 7)	315,245
Unrestricted	(249,935)
Total net position	\$ 861,475

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, 2017**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
<u>Expenses</u>	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary government:				
Governmental activities:				
Physical environment	\$ 1,175,559	\$ 1,027,671	\$ 75,089	\$ (72,799)
Interest on long-term debt	53,760	51,865	-	(1,895)
Total governmental activities	1,229,319	1,079,536	75,089	(74,694)
General revenues:				
Unrestricted investment earnings				2,005
Total general revenues				2,005
Change in net position				(72,689)
Net position - beginning				934,164
Net position - ending				\$ 861,475

See notes to the financial statements

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	General	Total Governmental Funds
<b>ASSETS</b>		
Cash	\$ 145,462	\$ 145,462
Investments	324	324
Accounts receivable	89,837	89,837
Debt assessments receivable	1,387,375	1,387,375
Restricted cash	434,779	434,779
Total assets	\$ 2,057,777	\$ 2,057,777
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 93,991	\$ 93,991
Compensated absences	2,929	2,929
Total liabilities	96,920	96,920
 Deferred inflows of resources:		
Unavailable revenue - special assessments	1,387,375	1,387,375
Total deferred inflows of resources	1,387,375	1,387,375
 Fund balances:		
Restricted for:		
Debt service	119,534	119,534
Resurfacing of certain roads (see Note 7)	315,245	315,245
Unassigned	138,703	138,703
Total fund balance	573,482	573,482
 Total liabilities, deferred inflows of resources, and fund balances		
	\$ 2,057,777	\$ 2,057,777

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, 2017**

Fund balance - governmental funds		\$ 573,482
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	2,468,499	
Accumulated depreciation	<u>(1,674,478)</u>	794,021
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.		
		1,387,375
Deferred outflows of resources related to pensions are recorded in the statement of net position.		
		209,386
Deferred inflows of resources related to pensions are recorded in the statement of net position.		
		(53,929)
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	(9,653)	
Compensated absences	(55,475)	
Capital lease	(107,737)	
Note payable	(1,387,375)	
Net pension liability	<u>(488,620)</u>	<u>(2,048,860)</u>
Net position of governmental activities		<u>\$ 861,475</u>

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, 2017**

	General	Total Governmental Funds
<b>REVENUES</b>		
Maintenance assessments	\$ 1,027,671	\$ 1,027,671
Debt assessments	306,865	306,865
Interest income	2,005	2,005
Intergovernmental revenue	73,383	73,383
Other income	1,706	1,706
Total revenues	1,411,630	1,411,630
<b>EXPENDITURES</b>		
Current:		
Physical environment	1,029,750	1,029,750
Debt service		
Principal	349,011	349,011
Interest	57,235	57,235
Capital outlay	23,287	23,287
Total expenditures	1,459,283	1,459,283
Excess (deficiency) of revenues over (under) expenditures	(47,653)	(47,653)
Fund balance - beginning	621,135	621,135
Fund balance - ending	\$ 573,482	\$ 573,482

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, 2017**

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

Net change in fund balance - total governmental funds	\$ (47,653)
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.	(255,000)
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(83,502)
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.	349,011
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	18,545
Change in accrued interest	3,475
Change in net pension liability and related deferred outflows and inflows	<u>(57,565)</u>
Change in net position of governmental activities	<u><u>\$ (72,689)</u></u>

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 comprised of five (5) members, one of whom is elected by registered voters in the District who are also individually titled landowners or their spouses on a one-vote per person basis and the other four (4) elected by the landowners on a one-vote per acre voting basis. 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 installments 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;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.



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

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

#### Deposits and Investments (Continued)

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. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

#### 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.

#### Unearned Revenue

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

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

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

#### 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. Debt 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, 2017:

	Amortized Cost	Credit Risk	Maturities
FLORIDA PRIME	\$ 324	S&P AAAm	Weighted average of the fund portfolio: 51 days
Total Investments	<u>\$ 324</u>		

*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 4 – DEPOSITS AND INVESTMENTS (Continued)

### Investments (Continued)

*Fair Value Measurement* – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

For external investment pools that qualify to be measured at amortized cost, the pool's participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the District's investments have been reported at amortized cost above.

*External Investment Pool* – With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2017 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	1,343,424	-	-	1,343,424
Total capital assets, being depreciated	2,409,292	-	-	2,409,292
Less accumulated depreciation for:				
Buildings	49,779	-	-	49,779
Fencing	3,511	351	-	3,862
Culverts	180,000	-	-	180,000
Bridges	107,335	4,197	-	111,532
Canal gates	281,834	10,066	-	291,900
Pump stations	28,295	-	-	28,295
Machinery & equipment	940,222	68,888	-	1,009,110
Total accumulated depreciation	1,590,976	83,502	-	1,674,478
Total capital assets, being depreciated, net	818,316	(83,502)	-	734,814
Governmental activities capital assets, net	\$ 877,523	\$ (83,502)	\$ -	\$ 794,021

Depreciation expense of \$83,502 was charged to physical environment for the fiscal year ended September 30, 2017.

## NOTE 6 – CAPITAL LEASES

In a prior fiscal year the District entered into lease agreements for financing the acquisition of a tractor and a gator both at an annual interest rate of 4%. The lease agreements qualify as capital leases for accounting purposes. In addition, the District has other leased assets acquired via capital lease during a prior year at an annual interest rate of 3.30%. The lease terms range from 48 – 60 months from lease inception. The assets acquired through the capital leases are:

Asset:	
Machinery and equipment	\$ 472,071
Less accumulated depreciation	(161,522)
Net	<u>\$ 310,549</u>

**NOTE 6 – CAPITAL LEASES (Continued)**

The future minimum lease payments as of September 30, 2017 are:

Year ending September 30:	Governmental Activities
2018	\$ 100,989
2019	10,929
Total minimum lease payments	111,918
Less: amount representing interest	(4,181)
Present value of minimum lease payments	<u>\$ 107,737</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 (the "Project").

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 current fiscal year and included on the tax roll.

**Net Position/Fund Balance Restricted for Resurfacing of Certain Roads**

Although portions of the Project funded with the Series 2011 Note were completed in fiscal year 2012 and conveyed to the Town of Loxahatchee Groves in fiscal year 2013, there remains a portion of the Project for future resurfacing yet to be completed. The net position/fund balance restricted for resurfacing of certain roads of \$315,245 at September 30, 2017 consists of funds are for the resurfacing of (i) the improvements to North A Road and North Road approved by referendum on February 24, 2009 (the "North A Road Project"), (ii) the improvements to North C Road and North Road approved by referendum on March 25, 2009 (the "North C Road Project"), (iii) the improvements to South C Road and Collecting Canal Road approved by referendum on February 25, 2010 (the "South C Road Project"), (iv) the improvements to North D Road and North Road approved by referendum on April 22, 2009 (the "North D Road Project"). The resurfacing was estimated to be required in the approximate 7th year following the construction which was completed in fiscal year 2012.

Changes in long-term liability activity for the fiscal year ended September 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Governmental activities</u></b>					
Series 2011	\$ 1,642,375	\$ -	\$ 255,000	\$ 1,387,375	\$ 263,000
Capital lease	201,748	-	94,011	107,737	97,231
Compensated Absences	78,955	33,726	54,277	58,404	2,929
Total	<u>\$ 1,923,078</u>	<u>\$ 33,726</u>	<u>\$ 403,288</u>	<u>\$ 1,553,516</u>	<u>\$ 363,160</u>

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

At September 30, 2017, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2018	\$ 263,000	\$ 42,454	\$ 305,454
2019	271,000	34,406	305,406
2020	279,000	26,113	305,113
2021	288,000	17,576	305,576
2022	286,375	8,763	295,138
Total	<u>\$ 1,387,375</u>	<u>\$ 129,312</u>	<u>\$ 1,516,687</u>

## NOTE 8 – INTERLOCAL AGREEMENTS

### 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. During a prior year, the agreement was amended such that the reimbursement would be an amount not to exceed \$150,000. During a prior year, the agreement was again amended such that the reimbursement would be an amount not to exceed \$93,738. The District received \$73,383 during the current fiscal year and it is reported as intergovernmental revenue.

## NOTE 9 – RETIREMENT PLAN

### Florida Retirement System (FRS)

#### **General Information about the FRS**

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

All regular employees of the District are eligible to enroll as members of the FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

## NOTE 9 – RETIREMENT PLAN (Continued)

### Florida Retirement System (FRS) (Continued)

#### FRS Pension Plan

*Plan Description* – The FRS Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The classes of membership within the District are as follows:

- Regular Class – Member of the FRS who do not qualify for membership in another class.
- Senior Management Service Class – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

*Benefits Provided* – Benefits under the 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 (AFC). For members initially enrolled before July 1, 2011, the AFC is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the AFC 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 class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 years of service	
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 years of service	1.68
<b>Senior Management Service Class</b>	2.00



**NOTE 9 – RETIREMENT PLAN (Continued)**

**Florida Retirement System (FRS) (Continued)**

**FRS Pension Plan (Continued)**

Per Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

*Contributions* – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017 fiscal year were as follows:

<b>Class</b>	<b>Percent of Gross Salary October 1, 2016 to June 30, 2017</b>		<b>Percent of Gross Salary July 1, 2017 to September 30, 2017</b>	
	<b>Employee</b>	<b>Employer (1)</b>	<b>Employee</b>	<b>Employer (1)</b>
FRS, Regular	3.00	7.52	3.00	7.92
FRS, Senior Management	3.00	21.77	3.00	22.71

(1) Employer rates include a postemployment HIS contribution rate of 1.66%. Also, employer rates include .06% for administrative costs of the Investment plan.

The District's contributions to the Plan totaled \$10,252 for the fiscal year ended September 30, 2017. This excludes the HIS defined benefit pension plan contributions.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At September 30, 2017, the District reported a liability of \$341,211 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's contributions for the year ended June 30, 2017 relative to the contributions made during the year ended June 30, 2016 of all participating members. At June 30, 2017, the District's proportionate share was .0012%, which was a decrease of .0001% from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017 the District recognized pension expense of \$69,601 related to the Pension Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 31,315	\$ (1,890)
Change of assumptions	114,671	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(8,456)
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	42,175	(24,082)
District FRS contributions subsequent to the measurement date	(3,243)	
Total	<u>\$ 184,918</u>	<u>\$ (34,428)</u>

## NOTE 9 – RETIREMENT PLAN (Continued)

### Florida Retirement System (FRS) (Continued)

#### FRS Pension Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2018	\$ 30,475
2019	59,828
2020	34,801
2021	2,594
2022	18,853
Thereafter	7,182
<b>Total</b>	<b>\$ 153,733</b>

Actuarial Assumptions – The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Actuarial Assumptions – (Continued) The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Arithmetic Return</u>	<u>(Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.0%	3.0%	1.8%
Fixed income	18.0%	4.7%	4.6%	4.2%
Global equity	53.0%	7.8%	6.6%	17.0%
Real estate (property)	10.0%	6.6%	5.9%	12.8%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	9.7%
<b>Total</b>	<b>100.0%</b>			
Assumed inflation - mean			2.6%	1.9%

(1) As outlined in the Plan's investment policy

Discount Rate – The discount rate used to measure the total pension liability was 7.10 percent. The Plan's 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.

**NOTE 9 – RETIREMENT PLAN (Continued)**

**Florida Retirement System (FRS) (Continued)**

**FRS Pension Plan (Continued)**

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of net pension liability	\$ 617,570	\$ 341,211	\$ 111,768

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

**HIS Pension Plan**

Plan Description – The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided – For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the contribution rate was 1.66% of payroll from October 1, 2016 through September 30, 2017 pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$2,863 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2017, the District reported a net pension liability of \$147,409 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the year ended June 30, 2017 contributions relative to the year ended June 30, 2016 contributions of all participating members. At June 30, 2017, the District's proportionate share was .0014%, which did not significantly change compared to its proportionate share measured as of June 30, 2016.

## NOTE 9 – RETIREMENT PLAN (Continued)

### Florida Retirement System (FRS) (Continued)

#### HIS Pension Plan (Continued)

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$10,318 related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (307)
Change of assumptions	20,721	(12,747)
Net difference between projected and actual earnings on HIS pension plan investments	82	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	2,115	(6,447)
District HIS contributions subsequent to the measurement date	1,550	-
Total	<u>\$ 24,468</u>	<u>\$ (19,501)</u>

The deferred outflows of resources related to pensions, totaling \$1,550, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2018	\$ 1,522
2019	1,506
2020	1,499
2021	1,355
2022	322
Thereafter	<u>(2,787)</u>
<b>Total</b>	<u><b>\$ 3,417</b></u>

Actuarial Assumptions – The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	3.58%

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**NOTE 9 – RETIREMENT PLAN (Continued)**

**Florida Retirement System (FRS) (Continued)**

**HIS Pension Plan (Continued)**

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.58%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
District's proportionate share of net pension liability	\$ 168,214	\$ 147,409	\$ 130,081

Pension Plan Fiduciary Net Position – Detailed information about the HIS Plan's fiduciary net position is available in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

**FRS – Defined Contribution Pension Plan**

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Local Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2017 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30%
FRS, Senior management	7.67%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members.

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

### **Florida Retirement System (FRS) (Continued)**

#### **FRS – Defined Contribution Pension Plan (Continued)**

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$32,022 for the fiscal year ended September 30, 2017.

## **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. There were no settled claims during the past three years.

## **NOTE 11 – LITIGATION**

Case No. 50 2017 CA 007533 XXXX MB AG:

An unsuccessful candidate for Supervisor of the District for the 2017 District Election is contesting the successful candidate. Roberts, Reynolds, Bedard & Tuzzio (RRB&T) represent the successful candidate in defending this action. The case is ongoing as of the date of this Audit. The cost of RRB&T fees for this case is paid by the District self-insurance coverage program provider.

Case No. 50 2017 CA 005629 XXX MB AB

A landowner alleges the District acted improperly in filing Maintenance Maps pursuant to a Recreation Trails Interlocal Agreement with the Town of Loxahatchee Groves and pursuant to a special act enacted by the Florida Legislature in 2014. The case is ongoing as of the date of this Audit. The cost of RRB&T fees for this case is paid by the District self-insurance coverage program provider.

As of the report date, the outcome of these matters cannot be determined and, therefore, no amounts related to these matters have been reflected in the financial statements.

## **NOTE 12 - SUBSEQUENT EVENTS**

On March 23, 2018, the Florida Governor signed HB 1093 into law which requires a referendum on or before October 1, 2018, regarding dissolving the District as an independent special district and making it a dependent district of the Town of Loxahatchee Groves, Florida.

**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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Maintenance assessments	\$ 1,015,514	\$ 1,017,608	\$ 1,027,671	\$ 10,063
Debt assessments	319,938	306,866	306,865	(1)
Interest income	-	46	2,005	1,959
Intergovernmental revenue	77,000	55,577	73,383	17,806
Other income	4,550	21,307	1,706	(19,601)
Total revenues	1,417,002	1,401,404	1,411,630	10,226
<b>EXPENDITURES</b>				
Current:				
Physical environment	1,015,159	1,029,453	1,029,750	(297)
Debt service	417,514	409,844	406,246	3,598
Capital outlay	9,000	23,287	23,287	-
Total expenditures	1,441,673	1,462,584	1,459,283	3,301
Excess (deficiency) of revenues over (under) expenditures	(24,671)	(61,180)	(47,653)	13,527
<b>OTHER FINANCING SOURCES</b>				
Use of fund balance	24,671	61,180	-	(61,180)
Total other financing sources	24,671	61,180	-	(61,180)
Net change in fund balances	\$ -	\$ -	(47,653)	\$ (47,653)
Fund balances - beginning			621,135	
Fund balances - ending			\$ 573,482	

See notes to required supplementary information

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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, 2017 was amended to decrease revenues by (\$15,598), increase appropriations by \$20,911, and increase use of fund balance by \$36,509. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2017.



**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
FLORIDA RETIREMENT SYSTEM PENSION LIABILITY AND CONTRIBUTION SCHEDULES  
SEPTEMBER 30, 2017**

**Schedule of the District's Proportionate Share of the Net Pension Liability -  
Florida Retirement System Pension Plan  
Last 10 Years (1) (2)**

	2017	2016	2015
District's proportion of the FRS net pension liability	0.001154%	0.001291%	0.001354%
District's proportionate share of the FRS net pension liability	\$ 341,211	\$ 326,010	\$ 174,891
District's covered employee payroll	\$ 172,507	\$ 246,765	\$ 248,765
District's proportionate share of the FRS net pension liability as a percentage of its covered employee payroll	197.80%	132.11%	70.30%
FRS plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%

**Schedule of the District's Proportionate Share of the Net Pension Liability -  
Health Insurance Subsidy Pension Plan  
Last 10 Years (1) (2)**

	2017	2016	2015
District's proportion of the HIS net pension liability	0.001379%	0.001433%	0.001407%
District's proportionate share of the HIS net pension liability	\$ 147,409	\$ 167,037	\$ 143,455
District's covered employee payroll	\$ 172,507	\$ 246,765	\$ 248,765
District's proportionate share of the HIS net pension liability as a percentage of its covered employee payroll	85.45%	67.69%	57.67%
HIS plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

(1) The amounts presented for each year were determined as of the measurement date, June 30.

(2) Information is only available for the years presented.

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT  
PALM BEACH COUNTY, FLORIDA  
FLORIDA RETIREMENT SYSTEM PENSION LIABILITY AND CONTRIBUTION SCHEDULES  
SEPTEMBER 30, 2017**

**Schedule of the District Contributions -  
Florida Retirement System Pension Plan  
Last 10 Fiscal Years (1) (2)**

	2017	2016	2015
Contractually required FRS contribution	\$ 10,252	\$ 34,576	\$ 32,722
FRS contributions in relation to the contractually required contribution	(10,252)	(34,576)	(32,722)
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 172,507	\$ 226,503	\$ 251,455
FRS contributions as a percentage of covered employee payroll	5.94%	15.27%	13.01%

**Schedule of the District Contributions -  
Health Insurance Subsidy Pension Plan  
Last 10 Fiscal Years (1) (2)**

	2017	2016	2015
Contractually required HIS contribution	\$ 2,863	\$ 7,615	\$ 5,868
HIS contributions in relation to the contractually required contribution	(2,863)	(7,615)	(5,868)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 172,507	\$ 226,503	\$ 251,455
HIS contributions as a percentage of covered employee payroll	1.66%	3.36%	2.33%

(1) The amounts presented for each fiscal year were determined as of September 30.

(2) Information is only available for the years presented.



**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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated May 2, 2018, which includes an emphasis of matter paragraph.

**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 certain matters that we reported to management of the District in a separate letter dated May 2, 2018.

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.

*By Shaw & Associates*

May 2, 2018



**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, 2017. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the 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, 2017.

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*

May 2, 2018



**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, 2017, and have issued our report thereon dated May 2, 2018, which includes an emphasis of matter paragraph.

**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 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 Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 2, 2018, 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*

May 2, 2018

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

#### **2017-01 Payroll Internal Control Testing**

Observation: While conducting internal control testing for payroll, it was noted that the District is not maintaining documentation to support authorized employee wage rates and salaries in each employee's personnel files.

Recommendation: The District should keep proper documentation to support authorized employee wage rates and salaries in each employee's personnel files which should include effective dates and be signed and dated by the manager.

Management Response: District staff will create a template for each District employee that will stipulate the following:

1. Name of Employee
2. Employee Title
3. Employee Hire Date
4. Employee Current Wage Rate
5. Performance Review Date
6. Performance Review Change in Wage Rate
7. Signature of District Administrator Approving Change in Wage Rate

This employee record and the corresponding completed Performance Appraisal will be kept in each employee's personnel file and be available for review by the District Auditor.

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

#### **2016-01, 2015-01, 2014-01 Budget**

Current Status: Recommendation has been implemented.

### 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, except as noted above.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2016, except as noted above.

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, 2017, 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, 2017.

## REPORT TO MANAGEMENT (Continued)

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, 2017 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.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2017. 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.