

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA



FINANCIAL REPORT

FOR THE NINE MONTHS ENDED JUNE 25, 2018

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PALM BEACH COUNTY, FLORIDA
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PALM BEACH COUNTY, FLORIDA
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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 each major fund of the Loxahatchee Groves Water Control District, Palm Beach County, Florida (the "District") as of and for the nine months ended June 25, 2018, 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 qualified audit opinions.

Basis for Qualified Opinions

We were unable to obtain written representations from management of the Loxahatchee Groves Water Control District, Palm Beach County, Florida, concerning transactions prior to March 18, 2019, which took place under substantially different management.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, 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 June 25, 2018, and the respective changes in financial position thereof for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Entity

As discussed in Note 8 to the financial statements, on June 26, 2018, the District become a dependent special district of the Town of Loxahatchee Groves, Florida and is reported as a special revenue fund of the Town from that date forward. Our opinion is not modified with respect to this matter.

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, 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 December 6, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
December 6, 2019

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 nine months ended June 25, 2018. 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

- Effective June 26, 2018, the District became a dependent district of the Town of Loxahatchee Groves, Florida with the Town Council acting as the Board of Supervisors. For additional information see Note 8 in the Notes to the Financial Statements.
- 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 June 25, 2018 resulting in a net position balance of \$1,269,175.
- The District's total net position increased by \$407,700 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 June 25, 2018, the District's general fund (the District's only fund) reported ending fund balance of \$1,185,017, an increase of \$611,535 in comparison with the prior year. Of the total fund balance, \$703,653 is restricted for debt service and resurfacing of certain roads according to the Series 2011 Special Assessment Note Agreement. The second portion is \$11,298 for nonspendable – prepaid items. The remainder of \$470,066, 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 nine months. 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, the general 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	
	June 25, 2018	September 30, 2017
Assets, excluding capital assets	\$ 2,368,559	\$ 2,057,777
Capital assets, net of depreciation	<u>766,046</u>	<u>794,021</u>
Total assets	3,134,605	2,851,798
Deferred outflows of resources	<u>163,188</u>	<u>209,386</u>
Total assets and deferred outflows	<u>3,297,793</u>	<u>3,061,184</u>
Liabilities, excluding long-term liabilities	76,856	103,644
Long-term liabilities	<u>1,838,915</u>	<u>2,042,136</u>
Total liabilities	1,915,771	2,145,780
Deferred inflows of resources	<u>112,847</u>	<u>53,929</u>
Total liabilities and deferred inflows	<u>2,028,618</u>	<u>2,199,709</u>
Net position		
Net investment in capital assets	766,046	686,284
Restricted	685,964	425,126
Unrestricted	<u>(182,835)</u>	<u>(249,935)</u>
Total net position	<u>\$ 1,269,175</u>	<u>\$ 861,475</u>

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 increased during the most recent nine months. The majority of the increase is due to assessments for the entire year being recorded, but expenses for only nine months.

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

	June 25, 2018	September 30, 2017
Revenues:		
Program revenues		
Charges for services	\$ 1,118,439	\$ 1,079,536
Operating grants and contributions		75,089
General revenues	<u>94,024</u>	<u>2,005</u>
Total revenues	<u>1,212,463</u>	<u>1,156,630</u>
Expenses:		
Physical environment	771,534	1,175,559
Interest	<u>33,229</u>	<u>53,760</u>
Total expenses	<u>804,763</u>	<u>1,229,319</u>
Change in net position	407,700	(72,689)
Net position - beginning	<u>861,475</u>	<u>934,164</u>
Net position - ending	<u>\$ 1,269,175</u>	<u>\$ 861,475</u>

As noted above and in the statement of activities, the cost of all governmental activities during the period ended June 25, 2018 was \$804,763. 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 periods; 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 increased primarily due to an increase in charges for services. The majority of the decrease in expenses relates to the short period.

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 period ended June 25, 2018 was not amended in the period

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 25, 2018 the District had \$2,108,816 invested in capital assets for its governmental activities. In the government-wide financial statements, accumulated depreciation of \$1,342,770 has been taken, which resulted in a net book value of \$766,046. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At June 25, 2018, the District had \$1,387,375 in Notes Payable outstanding and all capital leases were paid off during the current year. More detailed information about the District's long-term 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.

On June 25, 2018, the referendum passed dissolving the District as an independent special district and making it a dependent district of the District of Loxahatchee Groves, Florida as of June 26, 2018, with the Town Council acting as the Board of Supervisors.

The operations of the District subsequent to June 25, 2018 will be reported as a special revenue fund 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 Town Manager at 155 F Road, Loxahatchee Groves, FL 33470.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Statement of Net Position
June 25, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 431,570
Restricted cash and cash equivalents	703,653
Due from other governments	97,663
Prepaid items	11,298
Debt assessments receivable	1,124,375
Capital assets	
Non-depreciable	86,207
Depreciable (net of depreciation)	679,839
Total assets	3,134,605
DEFERRED OUTFLOWS OF RESOURCES	
Pension	163,188
LIABILITIES	
Accounts payable and accrued expenses	59,167
Accrued interest payable	17,689
Non-current liabilities	
Net pension liability	410,267
Due within one year	303,907
Due in more than one year	1,124,741
Total liabilities	1,915,771
DEFERRED INFLOWS OF RESOURCES	
Pension	112,847
NET POSITION	
Net position	
Net investment in capital assets	766,046
Restricted for:	
Debt service	370,172
Road resurfacing	315,792
Unrestricted	(182,835)
Total net position	\$ 1,269,175

See notes to the financial statements

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Statement of Activities
For the Nine Months Ended June 25, 2018

Function / Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Primary Government Governmental Activities
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Physical environment	\$ 771,534	\$ 1,102,042	\$	\$	\$ 330,508
Interest on long-term debt	33,229	16,397			(16,832)
Total governmental activities	\$ 804,763	\$ 1,118,439	\$	\$	313,676
General revenues					
					85,151
					2,183
					6,690
					94,024
					407,700
					861,475
					\$ 1,269,175

See notes to the financial statements

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

**Balance Sheet
Governmental Fund
June 25, 2018**

	General
ASSETS	
Cash and cash equivalents	\$ 431,570
Restricted cash and cash equivalents	703,653
Due from other governments	97,663
Prepaid items	11,298
Debt assessments receivable	1,124,375
Total assets	\$ 2,368,559
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	
Liabilities	
Accounts payable and accrued expenses	\$ 59,167
 Deferred inflows of resources	
Unavailable revenues - special assessments	1,124,375
 Fund balances	
Nonspendable:	
Prepaid items	11,298
Restricted for:	
Debt service	387,861
Road resurfacing	315,792
Unassigned	470,066
Total fund balances	1,185,017
Total liabilities, deferred inflows and fund balance	\$ 2,368,559

See notes to the financial statements

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Reconciliation of the Balance Sheet – Governmental Fund
to the Statement of Net Position
June 25, 2018**

Fund balance total governmental fund		\$ 1,185,017
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.		
Governmental capital assets	\$ 2,108,816	
Less accumulated depreciation	<u>(1,342,770)</u>	766,046
Revenues earned but not collected within 60 days are not current financial resources and therefore, are not reported in the governmental fund.		
Unavailable revenue		1,124,375
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year end consist of:		
Net pension liability	(410,267)	
Compensated absences	(41,273)	
Note payable	(1,387,375)	
Accrued interest on long-term debt	<u>(17,689)</u>	(1,856,604)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:		
Pension related deferred outflows	163,188	
Pension related deferred inflows	<u>(112,847)</u>	<u>50,341</u>
Net position of governmental activities		<u>\$ 1,269,175</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 Fund
For the Nine Months Ended June 25, 2018

	General
Revenues	
Maintenance assessments	\$ 1,102,042
Debt assessments	279,397
Sale of surplus equipment	88,946
Interest	6,690
Miscellaneous revenue	2,183
Total revenues	1,479,258
Expenditures	
Current	
Physical environment	698,851
Debt service	
Principal	107,737
Interest	25,193
Capital outlay	35,942
Total expenditures	867,723
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	611,535
Fund balance, beginning of year	573,482
Fund balance, end of year	\$ 1,185,017

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 the Governmental Fund to the Statement of Activities
For the Nine Months Ended June 25, 2018

Net change in fund balance - total governmental funds \$ 611,535

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 35,942	
Less: current year depreciation	<u>(60,122)</u>	(24,180)

Net book value of capital asset disposals		(3,795)
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Revenues earned but not collected within 60 days are not current financial resources and therefore, are not reported in the governmental fund.

Special assessment revenues collected in current year		(263,000)
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on debt		107,737
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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 accrued interest	(8,036)	
Change in net pension liability and related deferred amounts	(26,763)	
Change in long-term compensated absences	<u>14,202</u>	<u>(20,597)</u>

Change in net position		<u>\$ 407,700</u>
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See notes to the financial statements

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Loxahatchee Groves Water Control District Palm Beach County, Florida (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

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.

Effective June 26, 2018, the District become a dependent district of the Town of Loxahatchee Groves, Florida with the Town Council acting as the Board of Supervisors. See Note 8 for additional information.

As required by generally accepted accounting principles, these financial statements include the District (the primary government) and its component units. Component units are legally separate entities for which the District is financially accountable. The District is financially accountable if:

- it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District, or
- the organization is fiscally dependent on the District and (1) there is a potential for the organization to provide specific financial benefits to the District or (2) impose specific financial burdens on the District.

Organizations for which the District is not financially accountable are also included when doing so is necessary in order to prevent the District's financial statements from being misleading.

Based upon application of the above criteria, the District has determined that there are no legally separate entities to consider as potential component units.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 activities of the primary government.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources.

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 recorded when a liability is incurred, regardless of the timing of related cash flows. . Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds

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 afterwards to pay liabilities of the current period. The District considers revenues collected within 60 days of the year end to be available to pay liabilities of the current period.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Funds (Continued)

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments are recorded only when payment is due. Property taxes, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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. 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.

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. 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:

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.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts, money market accounts and certificate of deposits.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items in governmental funds are accounted for using the consumption method.

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets, excluding infrastructure assets, are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

Depreciation has been provided over the useful lives using the straight line method. The estimated useful lives are as follows:

Machinery and Equipment	4 to 10 years
Infrastructure	25 to 50 years

Compensated Absences

It is the District's policy to permit employees to accumulate, within certain limits, earned but unused paid time off benefits, which will be paid to employees upon separation from the District's service. The District uses the vesting method to accrue paid time off 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 absences are liquidated through the general fund.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflow of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows for pension items in connection with its participation in the Florida Retirement System in the government-wide statement of net position. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods.

Deferred Inflow of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. There are three types of items that qualify for reporting in this category:

1. Pension items in connection with the District's participation in the Florida Retirement System are reported in the government-wide statement of net position. These deferred pension charges are amortized in a systematic and rational method as pension expense in future periods.
2. Special assessments that are not received within 60 days of the end of the fiscal year do not meet the availability criterion of the modified accrual basis of accounting, and therefore are reported as deferred inflows only on the governmental funds balance sheet.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosure of contingent liabilities, revenues, and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectability of receivables and the useful lives of capital assets. Although those estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Net Position

Net position is the residual of all other elements presented in a statement of financial position. Net position is displayed in three categories: 1) net investment in capital assets, 2) restricted, 3) unrestricted. Net position invested in capital assets consist of capital assets reduced by accumulated depreciation. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net position consist of all net position that does not meet the definition of either of the other two components.

Fund Equity

There are five possible components of fund balance:

- Nonspendable fund balance represents amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance represents amounts that can be spent only for specific purposes stipulated by external providers (e.g. creditors, grantors, contributor, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance represents amounts that can be used only for the specific purposes pursuant to constraints imposed by District Council by the adoption of a resolution, the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by the adoption of a resolution.
- Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. In accordance with the District's fund balance policy, the District Council or District Manager may make assignments.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

- Unassigned fund balance is the residual fund balance classification for the general fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. The District will first use committed fund balance, then assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

NOTE 2 – BUDGETARY INFORMATION

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

1. Prior to September 1, the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain comments.
3. Prior to October 1, the budget is legally adopted by the Board.
4. No differences exist between the budgetary and GAAP basis of accounting. Budgeted amounts are as originally adopted, or as amended by the District Board. The legal level of control (level of which expenditures may not exceed the budget) is the fund level.
5. Appropriations along with encumbrances lapse on September 30.
6. During the nine month period ending June 25, 2018, there were no supplemental appropriations.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 3 - CASH AND INVESTMENTS

Deposits

As of June 25, 2018, the carrying amounts of the District's deposits were \$1,134,595 and the bank balances totaled \$1,151,497. All cash deposits are covered by FDIC insurance or the multiple financial institution collateral pool administered by the State of Florida. The collateral pool was created pursuant to the Florida Security for Deposits Act, Chapter 280, Florida Statutes. The District also had \$328 in Investments and \$300 in petty cash for total Cash and Cash Equivalents of \$1,135,223.

The collateral pool consists of assets pledged to the State Treasurer by financial institutions that comply with the requirements of Florida Statutes and have been thereby designated as "qualified public depositories". Therefore, the District's entire bank balance \$1,151,497 is insured either by Federal depository insurance or is collateralized with securities pursuant to the Florida Security for Public Deposits Act. The District's deposits at year end are considered insured for custodial credit risk purposes.

Investments

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

1. The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest bearing time deposits or savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury.

In 2016, the District implemented GASB Statement No. 72, Fair Value Measurement and Application issued in February 2015. The District categorizes its investments according to the fair value hierarchy established by this Statement. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs to include quoted prices for similar assets in active and non-active markets; Level 3 inputs are significant unobservable inputs.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

The State Board of Administration (SBA) administers the Florida PRIME investment pool, which is governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME. The Florida PRIME is not a registrant with the Securities and Exchange Commission. The investment in Florida PRIME is reported at amortized cost in accordance with GASB Statement No. 79, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 79) and is exempt from reporting under the fair value hierarchy of GASB 72. The investment in the Florida PRIME is not insured by FDIC or any other governmental agency.

GASB 79 requires that if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

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.

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018**

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

The District's investments were held as follows at June 25, 2018:

	<u>Maturity</u>	<u>Fair Value</u>
State Board of Administration Investment Pool:		
Florida PRIME	76 days	\$ 328

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill their obligations. The District's investment policies limit its investments to high quality investments to control credit risk. At June 25, 2018, Florida PRIME was rated "AAA(m) by Standard and Poor's Ratings Services.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the nine months ended June 25, 2017, was as follows:

Primary Government

Governmental activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 59,207	\$ 27,000	\$	\$ 86,207
Capital assets being depreciated:				
Buildings and improvements	67,345			67,345
Furniture and equipment	1,343,424	8,942	(395,624)	956,742
Infrastructure	998,522			998,522
Total capital assets being depreciated	<u>2,409,291</u>	<u>8,942</u>	<u>(395,624)</u>	<u>2,022,609</u>
Less accumulated depreciation				
Buildings and improvements	(53,641)	(264)		(53,905)
Furniture and equipment	(1,009,110)	(48,005)	391,829	(665,286)
Infrastructure	(611,726)	(11,853)		(623,579)
Total accumulated depreciation	<u>(1,674,477)</u>	<u>(77,313)</u>	<u>391,829</u>	<u>(1,342,770)</u>
Total capital assets being depreciated	<u>734,814</u>	<u>(51,180)</u>	<u>(3,795)</u>	<u>679,839</u>
Governmental activities capital assets, net	<u>\$ 794,021</u>	<u>\$ (24,180)</u>	<u>\$ (3,795)</u>	<u>\$ 766,046</u>

Depreciation expense of \$77,313 was charged to the physical environment functions of the District.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 5 – LONG-TERM LIABILITIES

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 leases were paid off and the assets disposed of in current period.

Series 2011

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 \$315,792 at June 25, 2018 consists of funds that 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 fiscal year 2019.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

The following is a summary of changes in the long-term liabilities during the nine months ended June 25, 2018.

	Balance October 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 25, <u>2018</u>	Due Within <u>One Year</u>
Note payable	\$ 1,387,375	\$	\$	\$ 1,387,375	\$ 263,000
Capital leases	107,737		(107,737)		
Compensated absences	55,475	21,450	(35,652)	41,273	40,907
Net pension liability	<u>488,620</u>		<u>(78,353)</u>	<u>410,267</u>	
	<u>\$ 2,039,207</u>	<u>\$ 21,450</u>	<u>\$ (221,742)</u>	<u>\$ 1,838,915</u>	<u>\$ 303,907</u>

Annual Maturities

The aggregate maturities for all long-term debt of the District with scheduled maturities (excluding compensated absences and net pension liabilities), are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2018	\$ 263,000	\$ 21,227	\$ 284,227
2019	271,000	34,406	305,406
2020	279,000	26,113	305,113
2021	288,000	17,576	305,576
2022	<u>286,375</u>	<u>8,763</u>	<u>295,138</u>
Total	<u>\$ 1,387,375</u>	<u>\$ 108,085</u>	<u>\$ 1,495,460</u>

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM

General Information

All full-time employees participate in the Florida Retirement System (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 (DROP) 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 Florida Retirement System 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.

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 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.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000 or calling toll free at 877-377-1737. The report is also available at the Florida Department of Management Services web site www.dms.myflorida.com.

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (FRSP) and the Florida Retirement System Health Insurance Subsidy Program and additions to/deduction from the FRSP and HIS fiduciary net position have been determined on the same basis as they are reported by FRSP and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan

Plan Description

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

- Regular Class
- Senior Management Service Class

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.

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, except that certain instructional personnel may participate for up to 96 months. 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. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement 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.

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018**

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Benefits Provided (Continued)

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

Regular Class members initially enrolled before July 1, 2011	
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 or more years of service	1.68%
Regular Class members initially enrolled on or after July 1, 2011	
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 or more years of service	1.68%
Special Risk Class	
Service from December 1, 1970 through September 30, 1974	2.00%
Service on or after October 1, 1974	3.00%
Senior Management Service Class	2.00%

As provided in 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 percent 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 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011 will not have a cost-of-living adjustment after retirement.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Contributions (Continued)

The employer contribution rates by job class For the nine months ended June 25, 2018 were as follows:

Class	10/1/17 through 6/30/18
Regular Class	7.92%
Senior Management Service Class	22.71%
Special Risk Class	23.27%
DROP	13.26%

Except for the DROP, the employer contribution rates include a 1.66% HIS Plan subsidy. The rates also include 0.06% for administrative costs of the Public Employee Optional Retirement Program.

For the nine months ended June 25, 2018, the District made contributions of \$6,363 to the Pension Plan and the District’s employees made contributions of \$3,049, for total contributions of \$9,412.

Pension Liabilities and Pension Expense

At June 25, 2018, the District reported a liability of \$297,710 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District’s proportionate share of the net pension liability was based on the District’s 2017-18 plan year contributions relative to the 2017-18 plan year contributions of all participating members. At June 30, 2018, the District’s proportionate share was 0.000988395 percent, which was a decrease of 0.000165149 percent from its proportionate share measured as of June 30, 2017.

For the nine months ended June 25, 2018, the District recognized pension expense of \$59,227 related to the Plan.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Deferred Outflows and Inflows of Resources Related to Pensions

The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Outflows of Resources	Inflows of Resources
Difference between expected and actual experience	\$ 25,220	\$ 915
Change of assumptions	97,277	
Net difference between projected and actual earnings on Pension Plan investments		23,002
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	24,688	44,212
Pension Plan contributions subsequent to the measurement date		
Total	<u>\$ 147,185</u>	<u>\$ 68,129</u>

The change of assumptions was due to the expected rate of return being decreased from 7.6% to 7.4%

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2019	\$ 46,364
2020	23,364
2021	(5,097)
2022	8,871
2023	5,671
Thereafter	(117)
	<u>\$ 79,056</u>

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2018
Measurement date	June 30, 2018
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.40%, net of pension plan investment expense, including inflation
Mortality	Generational RP-2000 with projection scale BB
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on investments is 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>(1) Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.9%	2.9%	1.8%
Fixed Income	18.0%	4.4%	4.3%	4.0%
Global Equity	54.0%	7.6%	6.3%	17.0%
Real Estate (Property)	11.0%	6.6%	6.0%	11.3%
Private Equity	10.0%	10.7%	7.8%	26.5%
Strategic Investments	6.0%	6.0%	5.7%	8.6%
Total	<u><u>100.0%</u></u>			
Assumed Inflation - Mean			2.60%	1.90%

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

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The Pension 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 calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Proportionate share of the net pension liability	<u>\$ 543,333</u>	<u>\$ 297,710</u>	<u>\$ 93,705</u>

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At June 25, 2018, the District had \$1,205 payable for outstanding contributions to the Pension Plan for the nine months ended June 25, 2018.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program

Plan Description

The 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 Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the nine months ended June 25, 2018, 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. To be eligible to receive these benefits, 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 nine months ended June 25, 2018, the HIS contribution was 1.66%. The District contributed 100% 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 legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The District's contributions to the HIS Plan totaled \$4,217 For the nine months ended June 25, 2018.

Pension Liabilities and Pension Expense

At June 25, 2018, the District reported a liability of \$112,557 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

Pension Liabilities and Pension Expense (Continued)

The District's proportionate share of the net pension liability was based on the District's 2017-18 plan year contributions relative to the 2017-18 plan year contributions of all participating members. At June 30, 2018, the District's proportionate share was 0.001063456 percent, which was a decrease of 0.000315173 percent from its proportionate share measured as of June 30, 2017.

For the nine months ended June 25, 2018, the District recognized pension expense of \$3,047.

Deferred Outflows and Inflows of Resources Related to Pensions

In addition the District reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Outflows of Resources	Inflows of Resources
Difference between expected and actual experience	\$ 1,723	\$ 191
Change of assumptions	12,518	11,901
Net difference between projected and actual earnings on Pension Plan investments	68	
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	1,694	32,626
Pension Plan contributions subsequent to the measurement date		
Total	<u>\$ 16,003</u>	<u>\$ 44,718</u>

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018**

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30:</u>	<u>Amount</u>
2019	\$ 3,779
2020	3,785
2021	3,793
2022	4,576
2023	6,619
Thereafter	6,163
	<u>\$ 28,715</u>

Actuarial Assumptions

The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2018
Measurement date	June 30, 2018
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.87%
Long-term expected rate of return	N/A
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2018, 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 3.87%. 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.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

Discount Rate (Continued)

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.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 3.87%, 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 one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Proportionate share of the net pension liability	\$ 128,196	\$ 112,557	\$ 99,521

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At June 25, 2018, the District had \$637 payable for outstanding contributions to the HIS Plan For the nine months ended June 25, 2018.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Summary Data

The following table provides a summary of significant information related to the Florida Retirement System defined benefit plans for the nine months ended June 25, 2018.

Description	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	\$ 1,890,972	\$ 115,030	\$ 2,006,002
Proportionate share of plan fiduciary net position	1,593,262	2,473	1,595,735
Proportionate share of net pension liability	297,710	112,557	410,267
Proportionate share of deferred outflows of resources	147,185	16,003	163,188
Proportionate share of deferred inflows of resources	68,129	44,718	112,847
Pension expense	59,227	3,047	62,274

Investment Plan

Plan Description

The Florida Retirement System Investment Plan is a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code. The Florida Legislature enacted the Plan during the 2000 legislative session, and amendments to the Plan can only be made by an act of the Florida Legislature. The Plan is administered by the State Board of Administration of Florida. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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.

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018**

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Investment Plan (Continued)

Funding Policy

The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the defined benefit Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. 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 plan members.

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the District’s employees for the nine months ended June 25, 2018, are as follows:

Class	10/1/17 through 6/30/18
Regular Class	7.92%
Senior Management Service Class	22.71%

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 Pension Plan is transferred to the Investment Plan, the member must have the years of service required for 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. For the nine months ended June 25, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Investment 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 Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the 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 \$20,343 For the nine months ended June 25, 2018, and as of the fiscal year end, the District reported a payable in the amount of \$3,707 for outstanding contributions to the Investment Plan.

NOTE 7 - 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. The District has joined with other municipalities in the State participating in the Florida League of Cities Municipal Self Insurance Program, (the Program) a public entity risk pool currently operating as a common risk management and insurance program. The inter-local agreement with the Florida League of Cities Municipal Self Insurance Program provides that the Program will be self-sustaining through member premiums and will reinsure through commercial companies.

Florida Statutes limit the District's maximum loss for most liability claims to \$200,000 per person and \$300,000 per occurrence under the Doctrine of Sovereign Immunity. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in Federal courts. There have been no significant reductions in insurance coverage in the prior year. No settlements exceeded insurance coverage for the past three years.

The District is a defendant in various lawsuits arising in the ordinary course of normal operations. Although the ultimate outcome of some of these lawsuits cannot be determined at the present time, it is the opinion of legal counsel that the likelihood of unfavorable outcome and the amounts of potential losses cannot be reasonably determined for all claims at this time.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 8 – DEPENDENT DISTRICT

On March 23, 2018, the Florida Governor signed HB 1093 into law which required 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.

On June 25, 2018, the referendum passed dissolving the District as an independent special district and making it a dependent district of the Town of Loxahatchee Groves, Florida as of June 26, 2018, with the Town Council acting as the Board of Supervisors.

The operations of the District subsequent to June 25, 2018 will be reported as a special revenue fund of the Town of Loxahatchee Groves, Florida.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The District has a \$200,000 Revolving Line of Credit, with Floridian Community Bank, which became Synovus Bank, at a variable interest rate equal to The Wall Street Journal Prime Rate plus 1%, but not less than 5% adjusted daily. The Revolving Line of Credit is to provide funds in the event of a major storm until such time as FEMA or USDA funding or a maintenance assessment increase can occur. The line of credit expired on August 3, 2019 and was not renewed.

Subsequent to year end the District approved a three-year lease for a Grader at an annual price of \$31,590 and a purchase option at the end of the lease of \$146,100.

NOTE 10 – IMPLEMENTATION OF NEW STANDARDS

The District implemented the following Governmental Accounting Standards Board (GASB) statement during the nine months ended June 25, 2018:

In June 2015 the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities..

At June 25, 2018, the amount of OPEB liabilities of the District was not significant, therefore no liability or expense was recorded.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Financial Statements
June 25, 2018

NOTE 11 – NEW ACCOUNTING STANDARDS

A brief description of the new accounting pronouncement that might have a significant impact on the District's financial statements is presented below. Management is currently evaluating the impact of adoption of these statements in the District's financial statements.

In May 2017 the GASB issued Statement No. 87, Leases. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2021.

In March 2018 the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve the including direct borrowings and direct placements. It will also clarify which liabilities governments should include when disclosing information related to debt. This Statement is effective for the fiscal year ending September 30, 2019.

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Required Supplementary Information (RSI)
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
General Fund
For the Nine Months Ended June 25, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final Revised		
Revenues				
Maintenance assessments	\$ 1,130,453	\$ 1,130,453	\$ 1,102,042	\$ (28,411)
Debt assessments	291,045	291,045	279,397	(11,648)
Intergovernmental revenues	28,893	28,893		(28,893)
Sale of surplus equipment	40,000	40,000	88,946	48,946.00
Interest			6,690	6,690
Miscellaneous revenue	7,108	7,108	2,183	(4,925)
Total revenues	<u>1,497,499</u>	<u>1,497,499</u>	<u>1,479,258</u>	<u>(18,241)</u>
Expenditures				
Current				
Physical environment	981,543	981,543	698,851	282,692
Debt service	419,514	419,514	132,930	286,584
Capital outlay	<u>17,000</u>	<u>17,000</u>	<u>35,942</u>	<u>(18,942)</u>
Total expenditures	<u>1,418,057</u>	<u>1,418,057</u>	<u>867,723</u>	<u>550,334</u>
Excess (deficiency) of revenues over (under) expenditures	<u>79,442</u>	<u>79,442</u>	<u>611,535</u>	<u>532,093</u>
Other financing sources				
Transfer to fund balance	<u>(79,442)</u>	<u>(79,442)</u>		<u>79,442</u>
Total other financing sources	<u>(79,442)</u>	<u>(79,442)</u>		<u>79,442</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	611,535	<u>\$ 611,535</u>
Fund balance, beginning of year			<u>573,482</u>	
Fund balance, end of year			<u>\$ 1,185,017</u>	

LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Notes to the Required Supplementary Information (RSI)
June 25, 2018

Note 1 - Basis of Accounting

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).

Note 2 - Stewardship, Compliance, and Accountability

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 was not amended.

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Required Supplemental Information
Schedule of Employer Contributions
Florida Retirement System - Pension Plan**

Last Ten Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required FRS contribution	\$ 32,722	\$ 34,576	\$ 10,252	\$ 6,363
FRS contributions in relation to the contractually required contribution	<u>(32,722)</u>	<u>(34,576)</u>	<u>(10,252)</u>	<u>(6,363)</u>
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 251,455	\$ 226,503	\$ 172,507	\$ 101,638
FRS contributions as a percentage of covered payroll	13.01%	15.27%	5.94%	6.26%

This schedule is intended to present data for 10 years. For years prior to 2015, data is unavailable. Additional years will be presented as they become available.

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Required Supplemental Information
Schedule of Proportinate Share of Net Pension Liability
Florida Retirement System - Pension Plan**

Last Ten Fiscal Years

	2015	2016	2017	2018
Proportion of the FRS net pension liability	0.135400%	0.001291%	0.001154%	0.000988%
Proportionate share of the FRS net pension liability	\$ 174,891	\$ 326,010	\$ 341,211	\$ 297,710
Town's covered payroll	\$ 248,765	\$ 246,765	\$ 172,507	\$ 137,170
Town's proportionate share of the FRS net pension liability as a percentage of covered payroll	70.30%	132.11%	197.80%	217.04%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	84.88%	83.89%	84.26%

NOTE: The above amounts are as of the plan fiscal year, which ends on June 30.

Assumption Changes

The discount rate decreased from 7.65% in 2015 to 7.60% in 2016; 7.10% in 2017, 7.00% in 2018.

This schedule is intended to present data for 10 years. For years prior to 2015, data is unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report.

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Required Supplemental Information
Schedule of Employer Contributions
Florida Retirement System
Retiree Health Insurance Subsidy Program**

Last Ten Fiscal Years

Retiree Health Insurance Subsidy Program	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required HIS contribution	\$ 5,868	\$ 34,576	\$ 2,863	\$ 4,217
HIS contributions in relation to the contractually required contribution	<u>(5,868)</u>	<u>(34,576)</u>	<u>(2,863)</u>	<u>(4,217)</u>
HIS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 251,455	\$ 226,503	\$ 172,507	\$ 254,024
HIS contributions as a percentage of covered payroll	2.33%	15.27%	1.66%	1.66%

This schedule is intended to present data for 10 years. For years prior to 2015, data is unavailable. Additional years will be presented as they become available.

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
Required Supplemental Information
Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System
Retiree Health Insurance Subsidy Program**

Last Ten Fiscal Years

	2015	2016	2017	2018
Proportion of the HIS net pension liability	0.001407%	0.001433%	0.001379%	0.001063%
Proportionate share of the HIS net pension liability	\$ 143,455	\$ 167,037	\$ 147,409	\$ 112,557
Town's covered payroll	\$ 248,765	\$ 246,765	\$ 172,507	\$ 347,343
Town's proportionate share of the HIS net pension liability as a percentage of it covered payroll	57.67%	67.69%	85.45%	32.41%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.97%	1.64%	2.15%

NOTE: The above amounts are as of the plan fiscal year, which ends on June 30.

Assumption Changes

- The discount rate decreased from 4.29% in 2014 to 3.80% in 2015.
- The discount rate decreased to 2.85% in 2016.
- The discount rate increased to 3.58% in 2017.
- The discount rate increased to 3.87% in 2018.

This schedule is intended to present data for 10 years. For years prior to 2015, data is unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year were determined as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report.



NOWLEN, HOLT & MINER, P.A.

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

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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 each major fund of the Loxahatchee Groves Water Control District Palm Beach County, Florida (the “District”), as of and for the nine months ended June 25, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 6, 2019. Our opinions on the governmental activities and each major fund of the Town of Loxahatchee Groves, Florida, were qualified because we were unable to obtain written representations from management of the Loxahatchee Groves Water Control District Palm Beach County, Florida, concerning transactions prior to March 18, 2019, which took place under substantially different management.

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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida
December 6, 2019



NOWLEN, HOLT & MINER, P.A.

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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

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

Report on the Financial Statements

We have audited the financial statements of the Loxahatchee Groves Water Control District, Palm Beach County, Florida (the “District”) as of and for the nine months ended June 25, 2018, and have issued our report thereon dated December 6, 2019. Our opinions on the governmental activities and each major fund of the Town of Loxahatchee Groves, Florida, were qualified because we were unable to obtain written representations from management of the Loxahatchee Groves Water Control District Palm Beach County, Florida, concerning transactions prior to March 18, 2019, which took place under substantially different management.

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 Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant’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 December 6, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the nine months ended June 25, 2018.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. Our assessment was done as June 25, 2018. The results of our procedures did not disclose any matters that are required to be reported.

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

Finding: 2018-1 Annual Financial Report

Condition: We noted that the audit report and the Annual Financial Report filed with the Florida Department of Financial Services for the fiscal year ended September 30, 2018 was not filed timely.

Recommendation: We recommend that the District review the financial reporting process and make any changes required to facilitate the timely preparation of financial reports.

Management Response: In subsequent year's the District will be included in the Town of Loxahatchee Groves, Florida's filing.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the District.

Additional Matters

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

Response to Management Letter

The District's response to the finding identified in our audit is presented above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, the audit committee, the Board of Supervisors, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimes, P.A.

December 6, 2019
West Palm Beach, Florida



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**INDEPENDENT ACCOUNTANT’S REPORT
ON COMPLIANCE WITH SECTION 218.415,
FLORIDA STATUTES**

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

We have examined the Loxahatchee Groves Water Control District Palm Beach County, Florida’s (the “District”) compliance with Section 218.415, Florida Statutes during the nine months ended June 25, 2018. Management of the District is responsible for the District’s compliance with the specified requirements. Our responsibility is to express an opinion on the District’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. 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 judgement, including an assessment of the risk 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 the specified requirements.

In our opinion, the Loxahatchee Groves Water Control District Palm Beach County, Florida complied, in all material respects, with Section 218.415, Florida Statutes for the nine months ended June 25, 2018.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, applicable management, and the Board of Supervisors, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
December 6, 2019