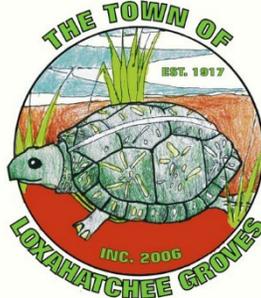


TOWN OF LOXAHATCHEE GROVES
TOWN HALL CONFERENCE ROOM
FINANCE ADVISORY AND AUDIT COMMITTEE AGENDA

January 9, 2020 – 6:00 P.M.



Anita Kane, Chair (Seat 1)
Angelo Rossi Chair (Seat 2)
Laura Cacioppo, Alt.

Janet Eick (Seat 4)
Bruce Cunningham (Seat 5)

Administration

Town Manager, James S. Titcomb
Assistant Town Manager, Francine L. Ramaglia
Town Clerk, Lakisha Q. Burch

Civility: Being "civil" is not a restraint on the First Amendment right to speak out, but it is more than just being polite. Civility is stating your opinions and beliefs, without degrading someone else in the process. Civility requires a person to respect other people's opinions and beliefs even if he or she strongly disagrees. It is finding a common ground for dialogue with others. It is being patient, graceful, and having a strong character. That's why we say "Character Counts" in Town of Loxahatchee Groves. Civility is practiced at all Town meetings.

Special Needs: In accordance with the provisions of the American with Disabilities Act (ADA), persons in need of a special accommodation to participate in this proceeding shall within three business days prior to any proceeding, contact the Town Clerk's Office, 155 F Road, Loxahatchee Groves, Florida, (561) 793-2418.

Quasi-Judicial Hearings: Some of the matters on the Agenda may be "quasi-judicial" in nature. Town Council Members are required to disclose all ex-parte communications regarding these items and are subject to voir dire (a preliminary examination of a witness or a juror by a judge or council) by any affected party regarding those communications. All witnesses testifying will be "sworn" prior to their testimony. However, the public is permitted to comment, without being sworn. Unsworn comment will be given its appropriate weight by the Town Council.

Appeal of Decision: If a person decides to appeal any decision made by the Town Council with respect to any matter considered at this meeting, he or she will need a record of the proceeding, and for that purpose, may need to ensure that a verbatim record of the proceeding is made, which record includes any testimony and evidence upon which the appeal will be based.

Consent Calendar: Those matters included under the Consent Calendar are typically self-explanatory, non-controversial, and are not expected to require review or discussion. All items will be enacted by a single motion. If discussion on an item is desired, any Town Council Member, without a motion, may "pull" or remove the item to be considered separately. If any item is quasi-judicial, it may be removed from the Consent Calendar to be heard separately, by a Town Council Member, or by any member of the public desiring it to be heard, without a motion.

CALL TO ORDER

ROLL CALL

REGULAR AGENDA

- 1. Ordinance 2019-12 Purchasing DRAFT**
- 2. Audits**
 - a. LGWC District Audit FY2018**
 - b. Town Final CAFR 2018**
- 3. Joint Committee with RETGAC follow up**

COMMENTS FROM THE PUBLIC

COMMITTEE MEMBER COMMENTS

ADJOURNMENT

Comment Cards: Anyone from the public wishing to address the FAAC Committee, it is requested that you complete a Comment Card before speaking. Please fill out completely with your full name and address so that your comments can be entered correctly in the minutes. During the agenda item portion of the meeting, you may only address the item on the agenda being discussed at the time of your comment. During public comments, you may address any item you desire. Please remember that there is a three (3) minute time limit on all public comment. Persons with disabilities requiring accommodations in order to participate should contact the Town Clerk's Office (561-793-2418), at least 48 hours in advance to request such accommodation.

ORDINANCE NO. 2019-12

AN ORDINANCE OF THE TOWN COUNCIL OF THE TOWN OF LOXAHATCHEE GROVES, FLORIDA, AMENDING ITS CODE OF ORDINANCES BY REPEALING CHAPTER 2 “ADMINISTRATION, ARTICLE V “PROCUREMENT” AND ENACTING A NEW ARTICLE V “PROCUREMENT” REGARDING PROCUREMENT REQUIREMENTS; PROVIDING FOR CONFLICT, SEVERABILITY, CODIFICATION AND AN EFFECTIVE DATE.

WHEREAS, the Town Council believes it is necessary to modify its current regulations for the purchasing of goods and services; and,

WHEREAS, the procurement code is codified in Chapter 2, Article V of the Town Code of Ordinances; and,

WHEREAS, the Town Council has determined that the enactment of this ordinance is for a proper municipal purpose and in the best interests of the residents of the Town.

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF LOXAHATCHEE GROVES, FLORIDA, THAT:

Section 1. The foregoing “Whereas” clauses are hereby ratified and confirmed as being true and correct and incorporated herein by this reference.

Section 2. The Town of Loxahatchee Groves hereby repeals in its entirety Chapter 2 “Administration”, Article V “Procurement” and enacts the following Article V “Procurement” to read as follows:

ARTICLE V. PROCUREMENT

Sec. 2-132. Applicability.

This article applies to the acquisitions of property, goods and services by the town after _____, 2020, as provided for in this article. Any action taken or contracts entered contrary to the provisions of this article may, in the town's sole discretion, be declared null and void. The town has also adopted a purchasing policy whose regulations shall govern where not in conflict with this article.

Sec. 2-133. Competitive selection.

- (a) *Sealed competitive method.* Acquisitions of or contract for non-real property, goods or services where the expenditure by the town (including expenditures during renewal periods, but no expenditures relating to change orders) is estimated to be \$25,000.00 or greater shall be subject to a sealed competitive method, unless the town utilizes one of the methods that is exempt from the sealed competitive method or from obtaining quotes, as provided in this article or the purchasing policy.

- (1) *Competitive bids.* Sealed competitive bids are utilized where price, responsiveness, and responsibility are the sole determining factors.
 - (2) *Competitive Solicitations.* Requests for proposals, requests for qualifications, requests for letters of interest and other competitive solicitations are utilized where price, responsiveness, and responsibility are not the sole determining factors. The town manager may appoint a selection committee to review the submissions received by the town in response to requests for proposals, requests for qualifications, and requests for letters of interest and make a recommendation to the town council. The selection committee shall terminate upon the award of the contract, or such other time as determined by the town council.
 - (3) *Submissions.* It shall be the sole responsibility of the bidder, proposer or responder to have the bid, proposal or response delivered to the town clerk's office before the specified closing date and time. Bids, proposals or responses received after the closing date and time shall not be considered and shall be returned unopened. The clock in the town hall shall govern. All bids, proposals and responses submitted pursuant to a sealed competitive method shall remain sealed until they are opened publicly on the date and time and location stated in the notice to bidders, proposers or responders, or as may be amended by addendum. All bids, proposals or responses must be sealed. No faxed or emailed bids, proposals or responses shall be accepted.
 - (4) *Town's reservation of rights.* The town may utilize a sealed competitive method for any acquisition that the town deems appropriate regardless of the estimated cost of the acquisition. In all competitive selection purchases, the town reserves the following rights:
 - a. Rejection of bids, proposals or other responses. If the town manager/town council determines that it is in the best interests of the town to do so, the town manager/town council may reject any or all bids, proposals or other responses requested in whole or in part. Bids, proposals or other responses requested that are submitted after the due date and time will be disqualified from further consideration.
 - b. Waiver of irregularities. The town manager/town council shall have the authority to waive all nonmaterial irregularities on any and all bids, proposals or other responses requested. Nonmaterial irregularities are those irregularities which do not substantially affect price and/or competition.
 - c. A request for bid, RFP, ITN or other competitive selection procedure utilized by the town may be canceled, in whole or in part, by the town manager/town council when it is in the best interests of the town.
 - d. All costs and fees incurred by any party in preparing and responding to a request for bid, RFP, ITN or other competitive selection procedure used by the town are the sole responsibility of the responding party including all costs and fees related to a protest.
- (b) *Exemptions from purchasing by the sealed competitive method or by obtaining a written quote.*
- (1) *Professional services.* Except as otherwise provided for in Florida law, contracts for professional services (which include but is not limited to services provided by architects, engineers, surveyors, attorneys, accountants, actuaries, lobbyists and financial advisors) or a consultant with a distinctive field of expertise may be made or entered into by the town manager without utilizing a sealed competitive method or obtaining written quotes. Acquisitions of professional services where the expenditure by the town (including

expenditures during renewal periods, but not expenditures relating to change orders) is estimated to be \$25,000.00 or greater shall be subject to approval by the town council.

- (2) *Specialty goods and services.* Acquisitions of or contracts for specialty goods and services (including but not limited to performing artists, artwork, special events, entertainment, and food and beverage) may be made or entered into by the town manager without utilizing a sealed competitive method or obtaining written quotes. Acquisitions of specialty goods and services, where the expenditure by the town is estimated to be \$25,000.00 or greater, shall be subject to approval by the town council.
- (3) *Emergency acquisitions.* The town manager may acquire or contract for non-real property, goods, or services required in contemplation of, preparation for, or during an emergency without utilizing a sealed competitive method or obtaining written quotes regardless of the amount. Emergency acquisitions of non-real property, goods or services where the expenditure by the town is estimated to be \$25,000.00 or greater shall be subject to ratification by the town council as soon as practicable.
- (4) *Sole source and town standard.*
 - a. *Sole source.* The town may acquire or contract for non-real property, goods or services that are available to the town from only one source without utilizing the sealed competitive method or obtaining written quotes. Sole source acquisitions where the expenditure by the town (including expenditures during renewal periods, but not expenditures relating to change orders) is estimated to be \$25,000.00 or greater shall be subject to approval by the town council.
 - b. *Town standard.* Where the town has determined that a particular style, brand, make, or model is the only type that meets the town's requirements for performance, consistency, compatibility or other salient characteristics, and such determination has resulted in there being only one source available to the town, the town may acquire or contract for such goods without utilizing a sealed competitive method or obtaining written quotes. Town standard acquisitions where the expenditure by the town (including expenditures during renewal periods, but not expenditures relating to change orders) is estimated to be \$25,000.00 or greater shall be subject to approval by the town council.
- (5) *Utilization of other governmental entities' contracts.*
 - a. The town may acquire or contract for non-real property, goods or services without utilizing a sealed competitive method or obtaining written quotes where the desired goods or services are the subject of a contract with the state, its political subdivisions or other local governmental entities in the state, with associations in Florida affiliated with state and/or local governmental entities or departments (such as the Florida Sheriffs' Association and the Florida Fire Chiefs' Association) or with the United States government or national cooperatives, provided that the contract is based strictly on competitive bidding and not on any preference, and provided that the form of the contract is acceptable to the town attorney. Acquisitions utilizing other governmental entities' contracts where the expenditure by the town (including expenditures during renewal periods, but not expenditures relating to change orders) is estimated to be \$25,000.00 or greater shall be subject to approval by the town council.

- b. Utilization of other government entities' contracts shall only be permitted during the term of the other governmental entity's contract or for one year from the date the other governmental entity awards the bid, whichever is longer.
 - c. If the town desires to utilize another governmental entity's contract, the town shall require the vendor to certify that the price or rate represents the lowest price or rate for the non-real property, goods or services of any contract between the vendor and any other governmental entity within the state.
- (6) *Cooperative acquisitions.* The town may acquire or contract for non-real property, goods or services without utilizing a sealed competitive method or obtaining written quotes where the town participates in joint procurement of non-real property, goods or services with other public entities within the state, including, but not limited to acquisitions made pursuant to interlocal agreements entered into with other governmental entities in accordance with F.S. Ch. 163. Cooperative acquisitions where the expenditure by the town (including expenditures during renewal periods, but not expenditures relating to change orders) is estimated to be \$25,000.00 or greater shall be subject to approval by the town council.
- (7) *Utilities.* Water, sewer, gas, electrical, and other utility services may be acquired without utilizing a sealed competitive method or obtaining written quotes and without town council approval.
- (8) *Resale.* Food, beverages and merchandise purchased for resale, may be acquired without utilizing a sealed competitive method or obtaining written quotes and without town council approval.
- (9) *Employee benefits and health services.* Employee benefits, including payroll processing services, and health related services may be procured/renewed directly through a negotiating process conducted by town staff and/or an expert in the field, or to maintain continuity of employee-health records, and is not subject to competitive procurement methods.
- (10) *Property, casualty, workers compensation, liability, automobile insurance.* Insurances may be procured/renewed directly through a negotiating process conducted by town staff and/or an expert in the field, or to maintain continuity of insurance records, and is not subject to competitive procurement methods.
- (11) *The following goods and/or services are approved as exempt purchases when they are included in the adopted annual budget.* Exempt purchases are exempt from the competitive selection and written quotation purchase requirements set forth in this purchasing code.
- a. Utilities-water, sewer, electrical, telephone, solid waste disposal fees and any other utility service where competition is not available.
 - b. Postage and postage meter permits.
 - c. Recording fees.
 - d. Pension benefit payments.
 - e. Debt service payments.
 - f. Unemployment compensation.
 - g. Tax withholding payments (FICA, Medicare, Federal Tax Withholding).

- h. Payroll deduction liability payments-including but not limited to-voluntary insurance policies, credit union deductions, Section 457 (deferred compensation) contributions, Roth IRA contributions, union dues, flex medical and flex dependent contributions, and garnishments (IRS, child support, court orders).
- i. Pension plan contributions.
- j. Memberships, dues, subscriptions, publications.
- k. Advertisements for legal, promotional or informative matters.
- l. Abstracts of titles or appraisals for real property.
- m. Court reporting services.
- n. Expert witnesses.
- o. Bank analysis fees.
- p. Merchant fees (credit card processing charges).
- q. Job related seminars, training and related travel and per diem expenses.
- r. Tuition reimbursements in accordance with town employment regulations.
- s. Vehicle tag, title and registration fees.
- t. Licensed computer software and services where competition is not reasonably available.
- u. Licensed computer software maintenance renewals.
- v. Authorized payment of donations or scholarships.
- w. Payments to service providers needed to maintain town operations such as plumbers, electricians, temporary employment services, computer consultants or air conditioning repair services (this does not include the replacement of capital equipment).
- x. Goods and/or services provided by governmental agencies.
- y. Services required by proprietary ownership such as FPL and original equipment manufacturers.

(12) *Best interest acquisitions.* The town may acquire or contract for non-real property, goods or services without utilizing a sealed competitive method or obtaining written quotes, as set forth in this code or the town's purchasing policy, where the town council declares by at least a four-fifths affirmative vote that the sealed competitive method or obtaining written quotes is not in the best interest of the town. The town council shall make specific factual findings that support its determination, and such contracts shall be placed on the regular town council agenda. This provision may not be used when the purchasing or procurement method is prescribed by state law, such as F.S. § 287.055 or 255.20, as amended.

Sec. 2-134. Direct acquisitions.

(a) [*Town manager contract approval.*] The town manager may approve all contracts for the acquisition of goods and services in an amount up to \$25,000.00 provided the funds are included in an adopted budget.

- (b) *Acquisitions of \$25,000.00 and greater.* Acquisitions of or contracts for non-real property, goods or services where the expenditure by the town (including expenditures during renewal periods, but not expenditures relating to change orders) is estimated to be \$25,000.00 or greater shall be subject to prior approval by the town council except for emergency acquisitions, which are subject to subsequent ratification by the town council pursuant to section 2-133(b)(3).
- (c) *Multiple acquisitions from a vendor exceeding \$25,000.00 in any fiscal year.* Acquisitions of or contracts for non-real property, goods or services from the same vendor equal to or exceeding the aggregate \$25,000.00, per project, shall not be permitted from the same vendor during any fiscal year, unless the acquisition is first approved by the town council.

Sec. 2-135. Cone of silence.

Any person participating in a competitive solicitation issued by the town shall comply with section 2-355 of the Palm Beach County Code of Ordinances, as amended.

Sec. 2-136. Authorization to dispose of surplus goods.

- (a) No department shall transfer, sell, trade-in, or otherwise dispose of goods owned by the town without written authorization of the town manager. Disposal of capital assets require the approval of the town manager.
- (b) Surplus goods shall be offered to the public or other persons or entities through public auction, established markets, posted prices or other appropriate methods as approved by the town manager in the best interests of the town. Surplus goods may be offered by donation to other governmental entities or to private nonprofit agencies. It is recognized, however, that some types and classes of goods may be sold or disposed of more readily and advantageously by other procedures, including barter. In such cases, the town manager may employ such other means, including appraisal, provided the finance department makes a written determination that such procedure is advantageous to the town.
- (c) Disposal of real property shall be approved by the town council as determined to be in the best interest of the town.

Sec. 2-137. Purchasing protests.

- (a) *Right to protest.* After posting of the recommended awardee, any bidder or proposer who is aggrieved in connection with the recommended award may protest in writing to the town clerk. The right to protest is limited to those procurements of goods or services solicited through an invitation for bid, request for proposals or other competitive solicitation procedures. Notwithstanding the above, the town manager may, in his or her sole discretion, include the right to protest in any solicitation process if in the best interests of the town.
- (b) *Notice of protest.* The protest shall be submitted within three (3) business days after posting of the award recommendation. The protest shall be in writing (which includes emails) and shall identify the protestor and the solicitation and shall include a factual summary of the basis of the protest and shall also include any protest bond, if required by the bid or solicitation. Such protest is considered filed when it is received by the town clerk. Received means that the protest documents must be delivered to the town clerk's office by the cut off time period. No protest shall be considered if not

submitted in writing within the time frame allowed for the filing of the notice of protest and including any applicable protest bond.

(c) *Authority to resolve.* Protests filed in accordance with paragraph (b) hereinabove shall be resolved under the provisions of this section.

(1) The town manager shall have the authority to:

- a. Uphold the protest. The protest may be upheld based upon a violation of the provisions of this purchasing code or of any other town ordinance, resolution, policy, or procedure, or upon discovery of an irregularity or procedural flaw that is so severe as to render the process invalid. If the upholding of the protest will result in a change of the recommended awardee, a new recommended award shall be posted in town hall. If the upholding of the protest will result in a cancellation of the protested solicitation, the town manager may then cancel the solicitation.
- b. Deny the protest. If the protest is denied, the protestor has the right to request that the protest be referred to a special magistrate as described herein below.
- c. Refer the protest directly to special magistrate with no determination made by the town manager, in accordance with paragraph (c)(3) herein below.

(2) The town manager shall issue a written statement of the determination within a reasonable period. The written statement shall provide the general rationale for said determination and shall be provided to the protestor and to any other party to the protest.

(3) Upon receipt of a denial of the protest, the protestor may request a hearing before the special magistrate. The request for a hearing shall be in writing to the town clerk and shall be made within three business days of issuance of the town manager's determination. The request for a hearing shall be accompanied by a protest bond of \$1,500.00 which shall be remitted only in the form of a money order, a certified check, a cashier's check, or a bank check payable to the town.

(4) At no time shall a protestor, party, or any other person, contact the special magistrate regarding any issue pertaining to or involving the protest. Contact between the town and the special magistrate shall be limited to scheduling and other administrative issues, including the provision and copying of public records pertinent to the protest.

(d) *Authority of special magistrate.* The special magistrate, appointed to hear the town's code enforcement cases, shall also hear bid protests and shall have the jurisdiction and authority to hear and decide protests.

(1) The special magistrate shall make a recommendation as to whether the protest should be upheld or denied.

(2) If the special magistrate upholds the protest, the special magistrate shall either make a recommendation to cancel the solicitation, or to cancel the award recommendation and post a new award recommendation after re-evaluation based on the special magistrate's determination of the facts in the case. In these instances, the town shall return the protestor's bond to the protestor after deducting any out of pocket costs incurred by the town related to the appeal.

- (3) If the special magistrate denies the protest, the special magistrate shall recommend that the town manager proceed with the posted award recommendation. In these instances, the protestor's bond shall be forfeited.
- (4) The town manager may accept the special magistrate's recommendation or, if he/she determines the special magistrate's recommendation is not in the town's best interest, the original award recommendation may be referred to the council for approval. At that time, the council may accept or reject the recommendation of the special magistrate.
- (e) *Stay of procurement during protests.* Notwithstanding anything contained herein to the contrary, in the event of a timely protest, the town manager shall stay the award of the contract unless he/she, with the advice of the town attorney and after consultation with the applicable department head, makes a determination that the award of the contract without delay is necessary to protect substantial interests of the town.

Section 3. Conflict. All Ordinances or parts of Ordinances, Resolutions or parts of Resolutions in conflict herewith be, and the same are hereby repealed to the extent of such conflict.

Section 4. Severability. If any clause, section, or other part or application of this Ordinance shall be held by any court of competent jurisdiction to be unconstitutional or invalid, such unconstitutional or invalid part or application shall be considered as eliminated and so not affecting the validity of the remaining portions or applications remaining in full force and effect.

Section 5. Codification. It is the intention of the Town Council of the Town of Loxahatchee Groves that the provisions of this Ordinance shall become and be made a part of the Code of Ordinances of the Town of Loxahatchee Groves, Florida, that the Sections of this ordinance may be renumbered, re-lettered, and the word "Ordinance" may be changed to "Section", "Article" or such other word or phrase in order to accomplish such intention.

Section 6. Effective Date. This Ordinance shall become effective immediately upon its passage and adoption.

Council Member _____ offered the foregoing ordinance. Council Member seconded the motion, and upon being put to a vote, the vote was as follows:

	<u>Aye</u>	<u>Nay</u>	<u>Absent</u>
ROBERT SHORR, MAYOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DAVID DEMAROIS, VICE MAYOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LISA EL-RAMEY, COUNCIL MEMBER	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LAURA DANOWSKI, COUNCIL MEMBER	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PHILLIS MANIGLIA, COUNCILMEMBER	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PASSED AND ADOPTED BY THE TOWN COUNCIL OF THE TOWN LOXAHATCHEE GROVES, ON SECOND READING AND PUBLIC HEARING, THIS ____ DAY OF _____, 2020.

**TOWN OF LOXAHATCHEE GROVES,
FLORIDA**

ATTEST:

Lakisha Q. Burch, Town Clerk

APPROVED AS TO LEGAL FORM:

Office of the Town Attorney

Robert Shorr Chair

David Demarois Board Supervisor

Laura Danowski Board Supervisor

Lisa El-Ramey Board Supervisor

Phillis Maniglia Board Supervisor

ORDINANCE NO. 2008-09

AN ORDINANCE OF THE TOWN OF LOXAHATTCHEE GROVES, FLORIDA ENACTING A NEW SECTION OF THE TOWN OF LOXAHATTCHEE GROVES CODE OF ORDINANCES ENTITLED "BID PROCEDURES; PUBLIC FUNDS" ADOPTING PROCUREMENT REQUIREMENTS; PROVIDING FOR CODIFICATION; PROVIDING FOR CONFLICT; PROVIDING FOR SEVERABILITY; PROVIDING FOR EFFECTIVE DATE.

WHEREAS, Town staff recommends the enactment of a new section of the Town of Loxahatchee Groves Code of Ordinances related to procurement procedures; and

WHEREAS, the Town Council deems it to be in the best interests of the citizens, residents and businesses within the Town of Loxahatchee Groves to enact a new section of the Town of Loxahatchee Groves Code of Ordinances as provided herein.

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF LOXAHATTCHEE GROVES, FLORIDA THAT:

Section 1. The foregoing "WHEREAS" clauses are hereby ratified and confirmed as being true and correct and are hereby made a part of this Ordinance upon adoption hereof.

CODING: Words in ~~strike-through~~ type are deletions from existing law;
Words in underlined type are additions.

ORDINANCE NO. 2008-09

Section 2. The Town Council of the Town of Loxahatchee Groves hereby enacts a new section of the Code of Ordinances of the Town of Loxahatchee Groves, Florida, entitled "Bid Procedures; Public Funds", to read as follows:

BID PROCEDURES; PUBLIC FUNDS.

A. Definitions.

For the purpose of this Division of the Code, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

ADDENDA or ADDENDUM means written or graphic instruments issued prior to the opening of bids which clarify, correct or change the bidding documents or the contract documents.

BUSINESS LOCATION means a permanent office or other site where the vendor operates, conducts, engages in, or carries on all, or a portion of, its business. A post office box shall not be sufficient to constitute a "business location".

CHANGE ORDER means changes, due to unanticipated conditions or developments, made to an executory contract, which do not substantially alter the character of the work contracted for, and which do not vary so substantially from the original specifications as to constitute a new undertaking. Such changes must reasonably and conscientiously be viewed as being in fulfillment of the original scope of the contract rather than as departing therefrom. Further, such changes, when viewed against the background of the work described in the contract and the language used in the specifications, must clearly be directed either to the achievement of a more satisfactory result or the elimination of work not necessary to the satisfactory completion of the contract.

CHIEF PROCUREMENT OFFICER means the Town Manager, or his or her designee, who is responsible for the procurement of

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ORDINANCE NO. 2008-09

commodities and services as well as the management and disposal of commodities.

TOWN STANDARD COMMODITIES, refer to those situations where the Town has determined that a particular style, brand, make, or model is the only type that meets the Town's requirements for performance, compatibility or other salient characteristics.

COMMODITIES means personal property, including but not limited to, goods, supplies, apparatus, equipment, material and other forms of tangible personal property.

CONTRACTOR means any person or business entity having a contract with the Town.

COOPERATIVE PURCHASING refers to situations where the Town participates in joint procurement of commodities or services with other public entities within the state, in order to obtain lower prices through greater purchasing volume.

INVITATION FOR BID means a written solicitation for competitive sealed bids with the title, date and hour of the public bid opening designated therein and specifically defining the commodities or services for which bids are sought. The invitation for bid shall be used when the Town is capable of specifically defining the scope of work for which a service is required or when the Town is capable of establishing precise specifications defining the actual commodities required. The invitation for bid shall include instruction to bidders, plans, drawings and specifications, if any, bid form and other required forms and documents to be submitted with the bid.

QUOTATIONS means unsealed telephonic, facsimile or written bids for commodities or services.

REQUEST FOR LETTERS OF INTEREST means a written solicitation for offers with the title, date and hour of the submission deadline designated. A request for letters of interests shall include but is

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ORDINANCE NO. 2008-09

not limited to, general information and submission deadline. The town shall engage in competitive negotiations with responsible offerors determined to be reasonably susceptible of being selected for award for the purpose of clarification to assure full understanding of and conformance to the solicitation requirements. Offerors shall be accorded fair and equal treatment with respect to any opportunity for discussion.

REQUEST FOR PROPOSALS means a written solicitation for competitive sealed proposals with the title, date and hour of the public opening designated. A request for proposals shall include but is not limited to general information, functional or general specifications, a statement of work, proposal instruction and evaluation criteria. All requests for proposals shall state the relative importance of price and any other evaluation criteria. The Town may engage in competitive negotiations with responsible proposers determined to be reasonably susceptible of being selected for award for the purpose of clarification to assure full understanding of and conformance to the solicitation requirements. Proposers shall be accorded fair and equal treatment with respect to any opportunity for discussion and revision of proposals and such revisions may be permitted after submissions and prior to award for the purpose of obtaining the best and final offer.

REQUEST FOR QUALIFICATIONS means a written solicitation for competitive sealed offers with the title, date and hour of the public opening designated. A request for qualifications shall include but is not limited to, general information, functional or general specifications, statement of work, instructions for offer and evaluation criteria. All requests for qualifications shall state the relative importance of the evaluation criteria. The town may engage in competitive negotiations with responsible offerors determined to be reasonably susceptible of being selected for award for the purpose of clarification to assure full understanding of and conformance to the solicitation requirements. Offerors shall be accorded fair and equal treatment with respect to any opportunity for discussion and revision of offers and such revisions may be permitted after submissions and prior to award for the purpose of obtaining the best and final offer.

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ORDINANCE NO. 2008-09

RESPONSIBLE BIDDER, RESPONSIBLE OFFEROR, RESPONSIBLE PROPOSER means a person or business entity having the capability in all respects to perform fully the contract requirements and sufficient experience, ability, reliability, capacity, facilities, equipment, financial resources and credit to give the Town a reasonable expectation of good faith performance, determined solely within the town's discretion.

RESPONSIVE BIDDER, RESPONSIVE OFFEROR, or RESPONSIVE PROPOSER means a person who has submitted a bid, offer, or proposal that conforms in all material respects to the Invitation for Bid, Request for Letters of Interests, Request for Qualifications, or Request for Proposals, determined solely within the Town's discretion.

SERVICES means the furnishing of labor, time, or effort by a contractor, not involving the delivery of a specific end-product other than reports that are merely incidental to the required performance. This term shall not include employment agreements or collective bargaining agreements.

SOLE SOURCE means that the commodities or services are available from only one (1) responsible vendor.

SURPLUS PROPERTY means any personal property belonging to the town, that is capable of being used but is in excess of the normal operating requirements of the Town, or which is no longer used or which has become obsolete, worn out or scrapped.

USING AGENCY means any department, agency, commission, bureau or other unit in the town government using commodities or procuring services as provided in this Division of the Town Code of Ordinances.

B. Compliance required.

It shall be unlawful for any town officer or employee to purchase any commodities or services or make any contract within the purview of this division unless there has been compliance with the requirements of

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this division. Any purchase made or contract executed contrary to the provisions hereof shall be null and void, and the Town shall not be bound thereby.

C. Competitive Bidding or Competitive Proposals Required; Exceptions.

(1) A purchase of or contract for commodities or services that is estimated by the Chief Procurement Officer to cost more than twenty-five thousand dollars (\$25,000), shall be based on competitive bids or competitive proposals as determined by the Chief Procurement Officer, except as specifically provided herein.

(2) Only the following situations are exempt from the competitive bid and competitive proposal requirements of this section:

(a) *Emergency purchases.* In urgent cases of compelling emergency that require the immediate purchase of commodities or services, the Town Manager is empowered to waive competitive bidding or competitive proposals and authorize the Chief Procurement Officer to secure by open market procedure any commodities or services, notwithstanding the estimated cost of the commodities or services.

(b) *Professional services.* Contracts for professional services involving peculiar skill, ability, experience or expertise, which are in their nature unique and not subject to competitive bidding or competitive proposals, are exempt from this section of the Code; however, state laws, such as the Consultants' Competitive Negotiation Act of the Florida Statutes, as may be amended from time to time, to the extent applicable, shall be followed.

(c) *Town standard, commodities, single-source and sole-source commodities or services.* Town standard, single-source and sole-source commodities or services are exempt from this section of the Code.

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(d) Disaster preparedness. Contracts for and purchases of commodities or services that are made in contemplation and preparation for and in response to the occurrence of a natural or man-made disaster or civil unrest, where time or availability rather than price is the controlling factor, are exempt from this section of the Code.

(e) Utilization of other governmental agencies' contracts. Commodities or services that are the subject of contracts with the state, its political subdivisions or other governmental entities, including the United States government, are exempt from this section, provided, however, that this subsection shall apply only if the contract expressly permits or if the awarding jurisdiction and/or the vendor agree to allow the Town to purchase therefrom, and if either: (i) the commodities or services are the subject of a price schedule negotiated by the state or federal government or by competitive bid by another governmental agency and not on any preference; or (ii) the price offered for the commodity or service exactly equals or is lower than the governmental contract from vendors awarded such governmental contract. Where an award is made pursuant to this paragraph, the terms and conditions agreeable to the town may be used in lieu of those terms and conditions of the contract with the other governmental agency.

(f) Cooperative purchasing. Cooperative purchasing plans are exempt from this section of the Code.

(g) The following contractual services are not subject to the competitive procurement requirement:

(i) Services involving special skill, ability, training or expertise which are in their nature unique, original or creative.

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(ii) Academic program reviews or lectures or seminars by individuals.

(iii) Health services involving examination, diagnosis, treatment, prevention, medical consultation or administration.

(iv) Artistic services which are original and creative in character and skill in a recognized field of artistic endeavor such as music, dance, drama, painting and sculpture, photography, culinary arts, fashion design and the like.

(v) Performing artists and entertainers hired to provide entertainment for the benefit of the citizens of Loxahatchee Groves and the general public at any Town facility.

(vi) Maintenance service of equipment. When considered to be in the best interest of the Town and recommended by the using department and the services to be performed are by the equipment manufacturer, manufacturer's service representative, or a distributor of the manufacturer's equipment the services may be procured without following the competitive sealed bid process.

(vii) Utilities including but not limited to electric, water and communications.

(viii) Goods and services provided by not-for-profit organizations.

(ix) The foregoing enumeration of services deemed to be exempt from the competitive procurement requirements is not intended to be an exhaustive or exclusive list. The Town Manager or his or her designee may determine if a contractual service must be procured

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through the competitive procurement process, if not expressly indicated herein.

(x) copyrighted materials, except computer software.

(xi) Food, clothing and other promotional items purchased for resale or distribution to the public.

(h) Best interest of the Town. Purchases of, and contracts for, commodities or services are exempt from this section of the Code when the Town Council declares by a four-fifths (4/5) affirmative vote that the process of competitive bidding and competitive proposals is not in the best interest of the Town. The Town Council shall make specific factual findings that support its determination, and such contracts shall not be placed on the Town Council's Consent Agenda.

(3) Any other provision of this section of the Code to the contrary notwithstanding, Town purchasing shall be conducted in accordance with applicable Florida law, including §§ 180.24 and 255.20, Florida Statutes, as may be amended from time to time.

D. Competitive Bidding Procedure.

Procedure. The competitive bidding procedures below shall be followed:

(1) Advertisement for bids required. Notice of the competitive bid shall be advertised at least one (1) time in a newspaper of general circulation within the Town, calling for sealed bids for the work to be done under the proposed contract, at least ten (10) days before the bids are due to be received.

(2) Surety.

(a) Bid deposits. When deemed necessary by the Chief Procurement Officer, bid deposits or sureties shall be prescribed in

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the public notice inviting bids. Unsuccessful bidders shall be entitled to return of such deposit or surety where the Chief Procurement Officer has required same. A successful bidder shall forfeit any deposit or surety required by the Chief Procurement Officer upon failure on its part to enter a contract within fifteen (15) days after the award.

(b) Sureties on performance. For all competitive bids seeking commodities or services in excess of two hundred thousand (\$200,000) dollars the Chief Procurement Officer or appropriate staff person, shall include as a requirement of such advertised bids a performance bond in the total contract amount. The Chief Procurement Office, in his or her discretion, may require such performance bonds for bids seeking commodities or services in an amount of two hundred thousand dollars (\$200,000) or less. The Town Manager shall have the discretion to waive the performance bond requirement in the event of an undue hardship or emergency. Any bonding company used must be listed on the United States Department of the Treasury's Circular 570. Additionally, the bonding company must be rated at least "A," Class VI, by "Best's Key Rating Guide," published by A.M. Best Company, and be authorized to do business in Florida.

(3) Addenda. Written addenda will be issued when changes, clarification or amendments to the invitation for bid are deemed necessary.

(4) Bid opening procedure.

(a) Bids shall be submitted sealed to the Town Clerk and shall be identified as bids on the envelope.

(b) Bids shall be opened in public by the Town Clerk or designee at the time and place stated in the public notice.

(c) A tabulation of all bids received shall be posted for public inspection.

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(d) No late bids shall be accepted or opened, and, if received after the date and time called for in the bid notice, shall be retained unopened by the Town Clerk.

(e) Failure to properly sign bids may invalidate them and they shall not be considered.

(f) The bids opened shall contain a copy to be filed in the Clerk's office.

(g) The Town reserves the right to waive any irregularities in the bids, as determined by the Chief Procurement Officer.

(5) Rejection of bids. The Town Manager and Town Council may reject any bids, parts of all bids or all bids for any one or more commodities or services included in the proposed contract when the public interest will be served thereby. The Chief Procurement Officer shall not accept a bid from a contractor who is in default on the payment of taxes, licenses or other moneys due the Town.

(6) Contracts shall be awarded to the lowest responsive, responsible bidder. In determining the "lowest responsive, responsible bidder," the Chief Procurement Officer shall consider:

(a) The prices contained in the bid.

(b) The ability, capacity and skill of the bidder to perform the contract or provide the service required.

(c) Whether the bidder can perform the contract or provide the service promptly or within the time specified, without delay or interference.

(d) The character, integrity, reputation, judgment, experience and efficiency of the bidder.

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(e) The quality of performance of previous contracts of services, including, but not limited to, Town contracts.

(f) The previous and existing compliance by the bidder with laws and ordinances relating to the contract or service.

(g) The sufficiency of the financial resources and ability of the bidder to perform the contract or provide the service.

(h) The quality, availability and adaptability of the commodities, or services to the particular use required.

(i) The ability of the bidder to provide future maintenance and service for the use of the subject of the contract.

(j) The number and scope of conditions attached to the bid.

(k) The overall cost to the Town.

(l) The best interests of the Town.

(7) Determination and Findings Statement. When the award is not given to the most responsive, responsible bidder, a Determination & Findings statement shall be prepared by the Chief Procurement Officer and filed with the other papers relating to the transaction.

(8) Tie bids.

(a) If the determination of lowest responsive, responsible bidder results in a tie, the contract may be split when it is to the Town's advantage as determined by the Chief Procurement Officer.

(b) If the Chief Procurement Officer determines not to split the bid, the contract shall be awarded by first preference to

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businesses with drug free workplace programs as described in hereinbelow and then by publicly drawing lots.

(9) *Prohibition against subdivision.* No contract of purchase shall be subdivided to avoid the requirements of this section.

(10) *Inspection of bids.* Inspection of the Town's formal bids and proposals shall be conducted in accordance with applicable Florida law, including §119.07 and §120.53, Florida Statutes, as said sections may be amended from time to time.

E. Competitive Negotiations. When the use of competitive bidding is not in the best interest of the Town for a purchase of, or contract for, commodities and/or services estimated to cost in excess of twenty-five thousand dollars (\$25,000), such commodities and/or services may be purchased by competitive negotiations. A request for proposals, or a request for qualifications, or a request for letters of interest shall be issued. Adequate public notice of the solicitation shall be given in the same manner as provided in Section D above. Other procedural provisions applicable to the sealed bid process shall also apply. To assure full understanding of and responsiveness to the solicitation requirements and full understanding of qualified proposals or offers, discussions may be conducted with qualified proposers or offerors who submit responses determined to be reasonably acceptable of being selected for award for the purpose of clarification and to assure full understanding of, and responsiveness to, the solicitation requirements. The respondents shall be accorded fair and equal treatment with respect to any opportunity for discussion and revision of responses, and such revisions may be permitted through negotiations prior to award for the purpose of obtaining best and final proposals or offers. The award shall be made to the responsible proposer or offeror whose proposal or offer is determined to be the most advantageous to the Town taking into consideration price and the evaluation factors set forth in the solicitation. No other criteria shall be used in the evaluation. A summary of the basis on which the award is made shall be included in the contract file.

F. Award of Contract.

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(1) Town Council approval.

(a) An initial purchase of, or contract for, commodities or services, in excess of ten thousand dollars (\$10,000), shall require the approval of the Town Council, regardless of whether the competitive bidding or competitive proposal procedures were followed. However, emergency purchases as described in Section C, shall not require advance Town Council approval. In such emergency situations, the Town Manager may approve the purchase or contract, subject to later ratification by the Town Council. Emergency purchases are to be made only when the normal function and operation of the Town would be hampered to such an extent by submittal of a requisition in the usual manner that it may effect the life, health or convenience of citizens.

(b) Purchases exceeding the sum of thirty thousand dollars (\$30,000.00) in the aggregate shall not be purchased from the same person or entity during the course of any fiscal year, unless such purchases are first authorized by the Town Council. The above provision shall not apply to purchases of utilities or to ongoing contracts.

(2) Town Manager approval. A purchase of, or contract for, commodities or services in an amount of twenty-five thousand dollars (\$25,000) or less, shall require the approval of the Town Manager.

G. Town Attorney to review and approve form of purchasing contracts.

The Town Attorney shall review all contracts awarded under this Article of the Code and shall approve said contracts as to form prior to their execution by the appropriate Town officials. Notwithstanding the above, the Town Attorney, in his or her discretion, may approve form contracts bearing a pre-printed Town Attorney approval, provided that the provisions of the form contracts are not modified.

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H. Debarment and suspensions.

(1) Authority and requirement to debar and suspend. After reasonable notice to an actual or prospective contractual party, and after reasonable opportunity to such party to be heard, the Town Manager, after consultation with the Town Attorney, shall have the authority to debar a person or entity for the causes listed below from consideration for award of town contracts. The debarment shall be for a period of not fewer than three years. The Town Manager shall also have the authority to suspend a contractor from consideration for award of town contracts, if there is probable cause for debarment, pending the debarment determination. The authority to debar and suspend contractors shall be exercised in accordance with regulations that shall be issued by the Town Manager.

(2) Causes for debarment or suspension. Causes for debarment or suspension include the following:

(a) Conviction of a criminal offense incident to obtaining or attempting to obtain a public or private contract or subcontract, or incident to the performance of such contract or subcontract.

(b) Conviction under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or any other offense indicating a lack of business integrity or business honesty.

(c) Conviction under state or federal antitrust statutes arising out of the submission of bids or proposals.

(d) Violation of the Town's contract provisions, which is regarded by the Chief Procurement Officer to be indicative of non-responsibility. Such violation may include failure without good cause to perform in accordance with the terms and conditions of a Town contract or to perform within the time limits provided in the town contract, provided that failure to perform caused by acts

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beyond the control of a party shall not be considered a basis for debarment or suspension.

(e) Debarment or suspension of the person or entity by any federal, state or other governmental entity.

(f) False certification pursuant to paragraph (3) below.

(g) Any other cause judged by the Town Manager to be so serious and compelling as to affect the responsibility of the person or entity performing town contracts.

(3) Debarment and suspension decisions. Subject to the provisions of paragraph (1), the Town Manager shall render a written decision stating the reasons for the debarment or suspension. A copy of the decision shall be provided promptly to the contractual party.

I. Availability of funds.

Except in cases of emergency, Town Manager or designee shall not issue any order for delivery on a contract or any open-market order unless and until the Town Manager, or his designee, certifies that there are unencumbered funds available in the using agency's budget, in excess of all unpaid obligations, to defray the cost of such commodities or services.

J. Open Market Procedure.

A purchase of, or contract for, commodities or services that is estimated by the Chief Procurement Officer to cost one thousand dollars (\$1,000) or less, may be purchased either in the open market, without newspaper advertisement and without observing the procedures prescribed by Section D above, or in accordance with the competitive bidding procedure prescribed by Section D above, as deemed appropriate by the Chief Procurement Officer. However, all such purchases of greater than the estimated cost of one thousand dollars (\$1,000.00) but less than or equal to five thousand dollars (\$5,000.00) shall require at least three (3) quotations by telephone. For purchases of an estimated cost greater than

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five thousand dollars (\$5,000.00) but less than twenty-five thousand dollars shall require at least three (3) quotations in written form.

(1) *Notice inviting quotations.* When using the open market procedure, the Chief Procurement Officer may solicit, or oversee the solicitation of quotations by:

(a) Direct mail requests to prospective vendors;

(b) Telephone;

(c) Public notice;

(d) Facsimile;

(e) Internet

(2) *Recording.* The Chief Procurement Officer shall keep a record of all open market orders and the bids submitted in competition thereon and such records shall also be open to public inspection.

K. Inspection, Testing of Purchased Items or Services.

The Chief Procurement Officer shall inspect, or supervise the inspection of, all deliveries of commodities or services to determine their conformance with the specifications set forth in the order or contract.

(1) *Inspection by using agency.* The Chief Procurement Officer shall have the authority to authorize using agencies having the staff and facilities for adequate inspection to inspect all deliveries made to such using agencies under rules and regulations prescribed by the Chief Procurement Officer.

(2) *Testing.* The Chief Procurement Officer shall have the authority to require chemical and physical test of samples submitted with bids and samples of deliveries which are necessary to determine their quality and conformance with the specifications. In the performance of such tests the Chief Procurement Officer shall have the authority to make

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use of laboratory facilities of any agency of the Town government or of any outside laboratory.

L. Disposal Of.

(1) Disposal of property. The disposal of property requires Town Council approval.

M. Change Orders.

(1) Town Manager's authority. Subject to the restrictions contained in paragraph (2) below, the Town Manager is authorized to approve and initial work on the following types of change orders determined in his/her judgment, to be in the public interest, as follows:

(a) All change orders decreasing the cost of the contract to the Town that do not materially alter the character of the work contemplated by the contract.

(b) A change order where the net change increases the cost of the contract to the Town by an amount less than or equal to five percent (5%).

(c) On a unit price contract, a change order consisting of unit quantity increases at the unit price bid, which do not exceed ten percent (10%) of the original unit quantity for each line item.

(2) Notwithstanding the provisions of paragraph (1) above, the Town Manager is not authorized to approve a change order without authorization of the Town Council where the sum of all change orders issued under the contract exceeds five percent (5%) of the original contract amount.

N. Term, Termination, Extension and Renewal of Contracts.

(1) Term.

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(a) Unless otherwise provided by law, a contract for supplies or services may be entered into for any time period deemed to be in the best interests of the Town provided the extension, if any, are included in the solicitation and funds are available for the first fiscal period at the time of contracting. Payment and performance obligations for future fiscal periods shall be subject to the availability of funds.

(b) Price Adjustment. Contracts may be awarded with provisions of upward or downward price adjustments provided this allowance is part of the original bid solicitation and the adjustments are based on a nationally recognized or published index or other criteria acceptable to the Chief Procurement Officer.

(2) Termination. The Town Manager or his/her designee is authorized to terminate any contract entered into by the Town when (s)he determines that a party to the contract has breached or failed to perform one or more of its obligations under the contract. Except in the case of an emergency, where such advance notice is not possible, or where the contract was entered into without Town Council approval, the Town Manager or his/her designee must provide sufficient prior written notice to the Mayor and each Council Member so that they can make any necessary inquiries at the next Town Council meeting. When a contract is entered into by the Town pursuant to Town Council approval and is terminable by the town without cause, only the Town Council is authorized to terminate the contract without cause. If the Mayor or any Town Council Member desires that a contract be terminated without cause, he/she shall notify the Town Manager in writing and request that the item be placed on the next Town Council agenda.

(3) Extensions. The Town Manager or his/her designee is authorized to extend, for operational purposes only and for a maximum of one hundred eighty (180) days, any contract entered into by the Town pursuant to Town Council approval. Any further extensions of such contract require the approval of the Town Council.

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(4) Renewals.

(a) General. When a contract is entered into by the Town pursuant to Town Council approval and provides for one or more renewals by affirmative action of the Town, the Town Manager may approve such renewals only with the approval of the Town Council.

(b) Automatic. When a contract is entered into by the Town pursuant to Town Council approval and provides for one or more automatic renewals unless one party notifies the other of its intent not to renew, only the Town Council is authorized to decide not to renew the contract.

(5) Employment contracts. The provisions of this section shall not apply to the employment contract of the Town Manager.

(6) Application to existing and future contracts. The provisions of this section shall apply to every contract in existence on the effective date of this section and every contract entered into thereafter.

O. Preference to Businesses with Drug-Free Workplace Programs.

(1) The Town hereby adopts by reference §287.087, Florida Statutes, as amended, regarding bidding preferences for businesses with drug-free workplace programs.

(2) Whenever two (2) or more bids which are equal with respect to price, quality and service are received by the town for the procurement of commodities or services, a bid received from a business that certifies that it has implemented a drug-free workplace program shall be given a preference, provided that the drug-free workplace program complies with §287.087, Florida Statutes, and any other applicable state law. An announcement of this preference may be included in the bid documents.

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P. Non-Discrimination.

Vendor shall not discriminate against any person in its operations, activities or delivery of services. Vendor shall affirmatively comply with all applicable provisions of federal, state and local equal employment laws and shall not engage in or commit any discriminatory practice against any person based on race, age, religion, color, gender, sexual orientation, national origin, marital status, physical or mental disability, political affiliation or any other factor which cannot be lawfully used as a basis for service delivery.

Q. Non-Collusion.

A Bidder shall not collude, conspire, connive or agree, directly or indirectly, with any other Bidder, firm, or person to submit a collusive or sham Bid in connection with the Work for which the Bid has been submitted; or to refrain from bidding in connection with such work; or have in any manner, directly or indirectly, sought by person to fix the price or prices in the Bid or of any other Bidder, or to fix any overhead, profit, or cost elements of the Bid price or the Bid price of any other Bidder, or to secure through any collusion, conspiracy, connivance, or unlawful agreement any advantage against any other Bidder, or any person interested in the proposed work.

Section 3. It is the intention of the Town Council of the Town of Loxahatchee Groves, Florida that the provisions of this ordinance shall become and be made a part of the Town of Loxahatchee Groves Code of Ordinances. The sections of this ordinance may be renumbered or relettered and the word "ordinance" may be changed to "section," "article," or such other appropriate word or phrase in order to accomplish such intentions.

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Section 4. All ordinances inconsistent or in conflict herewith shall be and are hereby repealed insofar as there is conflict or inconsistency.

Section 5. If any section, sentence, clause, or phrase of this ordinance is held to be invalid or unconstitutional by any court of competent jurisdiction, then said holding shall in no way affect the validity of the remaining portions of this ordinance.

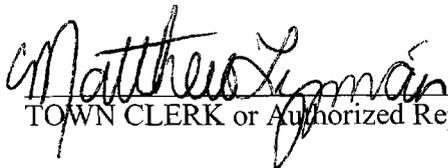
Section 6. This ordinance shall become effective upon its passage and adoption by the Town Council.

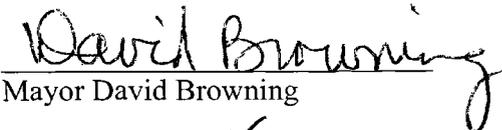
PASSED AND ADOPTED BY THE TOWN COUNCIL OF THE TOWN OF LOXAHATCHEE GROVES, FLORIDA ON THE FIRST READING THIS 18th DAY OF November, 2008.

PASSED AND ADOPTED BY THE TOWN COUNCIL OF THE TOWN OF LOXAHATCHEE GROVES, FLORIDA ON THE SECOND READING THIS 2nd DAY OF December, 2008.

TOWN OF LOXAHATCHEE GROVES,
FLORIDA

ATTEST:


TOWN CLERK or Authorized Representative


Mayor David Browning

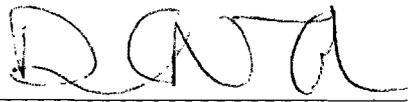

Vice Mayor Herzog

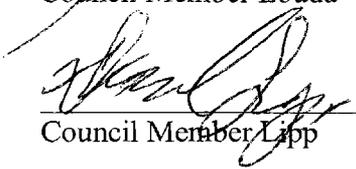

Council Member Autrey

APPROVED AS TO LEGAL FORM:

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Office of the Town Attorney


Council Member Louda

Council Member Lipp

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LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA



FINANCIAL REPORT

FOR THE NINE MONTHS ENDED JUNE 25, 2018

**LOXAHATCHEE GROVES WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
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PALM BEACH COUNTY, FLORIDA
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NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT AUDITOR'S REPORT

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FAX (561) 996-6248

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
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



NOWLEN, HOLT & MINER, P.A.

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

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TELEPHONE (561) 996-5612
FAX (561) 996-6248

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

**TOWN OF LOXAHATCHEE GROVES,
FLORIDA**



Town of
LOXAHATCHEE GROVES

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2018

TOWN OF LOXAHATCHEE GROVES, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

PREPARED BY:
THE TOWN OF LOXAHATCHEE GROVES

TOWN OF LOXAHATCHEE GROVES, FLORIDA
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INTRODUCTORY SECTION



Town of Loxahatchee Groves

155 F Road, Loxahatchee Groves, FL • 33470 (561) • 793-2418 Fax (561) 793-2420
www.loxahatcheegrovesfl.gov

December 6, 2019

To: Honorable Mayor and Members of the Town Council
155 F Road
Loxahatchee Groves, Florida 33470

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Loxahatchee Groves, Florida, for the fiscal year ended September 30, 2018, pursuant to Section 218.39 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and the Town Charter. The financial statements included in this report conform to generally accepted accounting principles in the United States of America (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. The financial statements have been audited by Nowlen, Holt & Miner, P.A., Certified Public Accountants. The independent auditor issued an unmodified opinion that this report fairly represents the financial position of the Town in conformity with GAAP. Management’s Discussion & Analysis (MD&A) immediately follows the independent auditor’s report and provides narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal, it should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The Town of Loxahatchee Groves (the “Town”) is a political subdivision of the State of Florida located in Palm Beach County (the “County”), initially incorporated in November 2006. The Town has a population estimated at 3,384 for the year 2018 from the University of Florida, Bureau of Economic and Business Research (“BEBR”) residents living within 12.5 square miles. The Town is a rural-residential-agricultural community with a very limited commercial district primarily along SR-80 (Southern Boulevard).

The Town operates under a Council-Manager form of government in which the Town elects five council members, one of whom is appointed Mayor. Council members are elected for three-year terms. The Town Council determines policies that guide Town operations, hiring a Town Manager and Attorney to administer these policies on a full-time basis. In FY18, the Town functioned under the basis of a “Contract Form of Government” with a private firm and no direct town employees. The contracted private management company supplied the employees, services and Town administration management under the legislative direction and policies of the Town Council.

In June 2018, the Independent Water Control District merged into the Town, by legislative act and voter referendum, which established the LGWCD as a dependent district of the Town. The town absorbed some of the independent (Public Works) employees in the process.

The annual budget serves as the foundation for the Town's financial planning and control. All departments of the Town are required to submit proposed budgets to the Town Manager, who then makes any necessary revisions. The Town Manager then presents to the Town Council for their review, a budget estimate of the expenditures and revenues of all the Town's departments. Two public hearings are then conducted to inform taxpayers of the proposed and final budget, to receive their comments, and respond to their questions on the budget. A majority affirmative vote of the quorum is needed to adopt the budget, which is legally enacted prior to October 1st by the passage of a Resolution. The Town's budget is approved at the department function object.

The Town Council must approve all budget amendments as well as any supplemental appropriations. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and is subject to future appropriations. Warrants (transfers) of funds assessed between the Town and dependent water control district are made by council legislative action approvals

ECONOMIC CONDITION AND OUTLOOK

The growth and development of the Town of Loxahatchee Groves is dependent upon the economic environment of South Florida and particularly that of Palm Beach County. The major economic influences in this area are the housing market, the regional job market, new construction, weather events and uncertainty of any future tax reform.

During 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. For the fiscal year ending September 30, 2018, the maximum tax levy allowed by a majority vote of the governing body is based on a percentage reduction applied to the prior year property tax revenue. The percentage reduction is calculated based on the annual growth rate in the per capita property taxes levied for the fiscal year ended September 30, 2017. For the fiscal year ending September 30, 2018 the Town Council adopted a rate of 2.1500 mills. This millage rate resulted in total tax levy of \$361,093, representing an increase of \$49,477 or 16% from the property tax levy for 2016. Future property tax growth is limited to the annual growth rate of per capita personal income, which is currently minimal, plus the value of new construction.

The impact of the ongoing recession waned and increasing property values are a central influence in decisions made during the current fiscal year, as well as, in next year's budget. The combination of improved economic conditions and continued influx of new residents resulted in climbing property values and increasing tax dollars.

LONG TERM FINANCIAL PLAN

The Town adopted a Comprehensive Plan. Within this plan, the Town will examine the growth opportunities for the Town over the next 10 years. Management will continue to review revenues received from other sources to verify that, as a new government, the Town is receiving those revenues to which it is entitled. The Town will also continue to pursue new revenue streams which will have as little impact on the residents as possible. In addition, the Town will continue to contract certain municipal services to maintain low operational costs and the best opportunity to keep taxes as low as possible. Maintaining appropriate reserves will enable the Town to absorb the increased costs of contracted services.

FINANCIAL INFORMATION

Town Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management. In addition, the Town maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Council. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the department function object level.

The Town's *accounting system* is organized on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The type of funds used are generally determined by the Town Council upon the recommendations of the Town Manager which is based upon established and accepted accounting policies and procedures as well as the number of funds required.

INDEPENDENT AUDIT

In accordance with Florida Statutes Section 218.39, the Town has engaged the firm of Nowlen, Holt & Miner, P.A., to perform the independent audit of the Town's financial statements for the year ended September 30, 2018. The Independent Certified Public Auditor's report is presented in the financial section of this Comprehensive Annual Financial Report.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Town and its auditing firm, Nowlen, Holt & Miner, P.A., as well as several key finance and legal contractors. We wish to express our appreciation to the staff for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Important change of Management note: Mr. Titcomb was hired by the Town Council, March 2019 to become the first town-employed, staff Town Manager. He replaced a private contract management company model in place at time of this fiscal period audited.

In closing, without the leadership and support of the Mayor and Town Council, the accomplishments and anticipated future successes noted in this report would not have been possible.

Respectfully submitted,


James S. Titcomb
Town Manager

TOWN OF LOXAHATCHEE GROVES

List of Elected Town Officials

September 30, 2018

Council-Manager Form of Government

TOWN COUNCIL

David W. Browning, Mayor

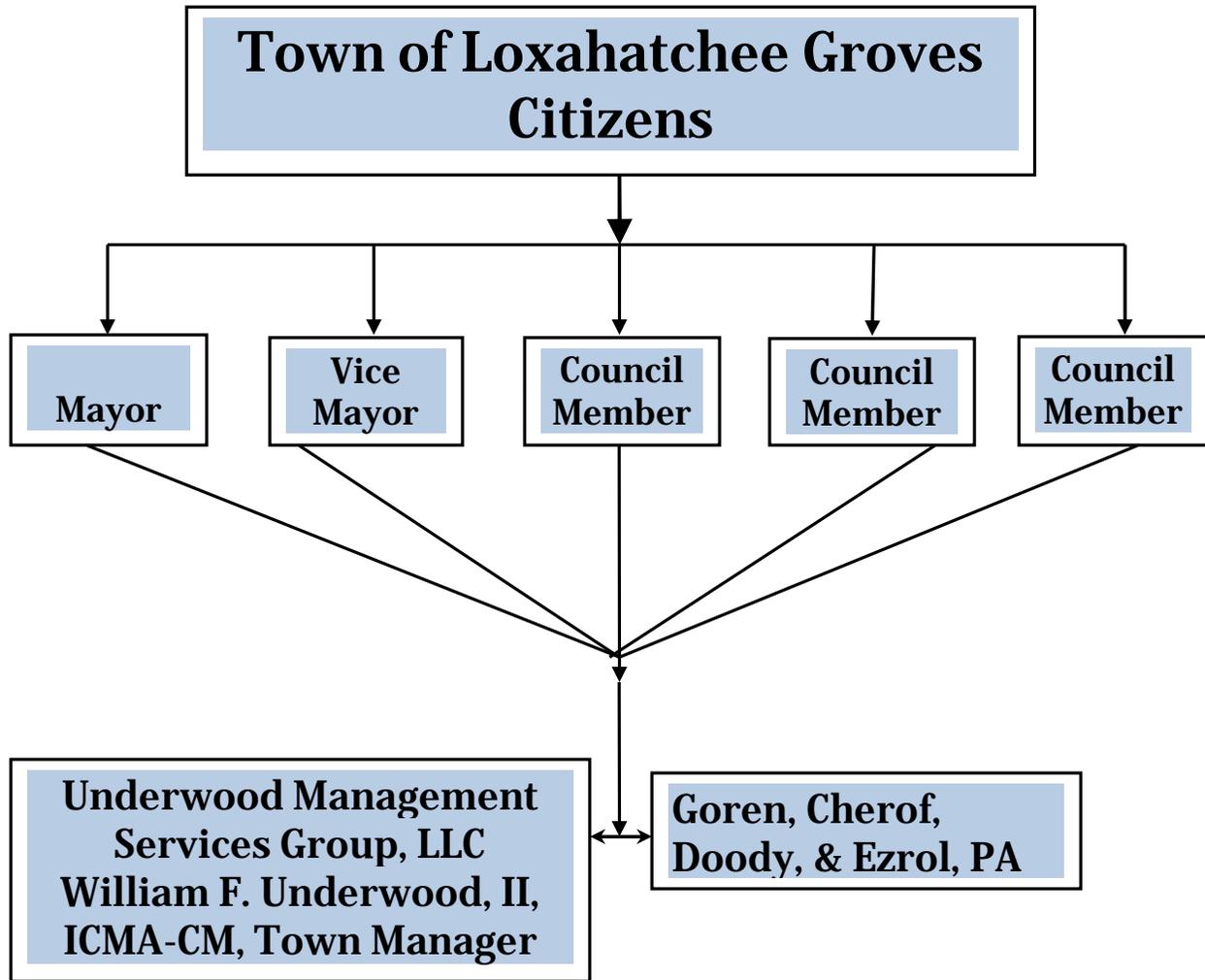
Todd McLendon, Vice Mayor

Dave DeMarois, Councilmember

Joyce Batcheler, Councilmember

Phillis Maniglia, Councilmember

Town of Loxahatchee Groves Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT AUDITOR'S REPORT

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FAX (561) 996-6248

The Honorable Mayor and Members of the Town Council
The Town of Loxahatchee Groves, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Loxahatchee Groves, Florida as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Loxahatchee Groves, Florida'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 Town of Loxahatchee Groves, 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, the business-type activities, and each major fund of the Town of Loxahatchee Groves, Florida as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Reporting Entity

As discussed in Note 10 to the financial statements, on June 26, 2018, the independent special district the Loxahatchee Groves Water Control District become a dependent special district of the Town and is reported as a special revenue fund. Our opinions are 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 on pages 4 through 12, and budgetary comparison information on pages 56 through 60 and the pension schedules on pages 61 through 64 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Loxahatchee Groves, Florida's basic financial statements. The Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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 Town of Loxahatchee Groves, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Town of Loxahatchee Groves, Florida'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 Town of Loxahatchee Groves, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida
December 6, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)**

Management's Discussion and Analysis

As management of the Town of Loxahatchee Groves, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Loxahatchee Groves (the Town) for the fiscal year ended September 30, 2018. Readers are encouraged to consider the information presented here in conjunction with the auditors' reports, the basic financial statements, the notes to the financial statements, and the supplementary information.

Financial Highlights for Fiscal Year 2018

- ∅ At September 30, 2018, the assets plus deferred outflows of the Town of Loxahatchee Groves exceeded its liabilities plus deferred inflows by \$6,948,825 of which \$4,652,258 was invested in capital assets and \$1,973,806 was restricted by law or agreements. The Town had \$322,761 (*unrestricted net position*) which may be used to meet the Town's ongoing obligations to citizens and creditors.
- ∅ During the fiscal year 2018, net position increased by \$541,732, \$1,269,175 from the net position of the Loxahatchee Groves Water Control District which became a dependent special district on June 26, 2018 and a \$(727,443) from the current year operations.
- ∅ At September 30, 2018, the Town of Loxahatchee Groves' General Fund reported an ending fund balance of \$485,224, an increase of \$56,249 as compared with the prior year. Of the total fund balance, 100% is available for spending at the government's discretion (*unreserved fund balance*). The unassigned fund balance represents 30% of total General Fund operating expenditures and transfers.
- ∅ The Loxahatchee Groves Water Control District became a dependent special district on June 26, 2018, as a special revenue fund with \$1,185,017 of fund balance transferred in as of that date.

Overview of the Financial Statements

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements* and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Town:

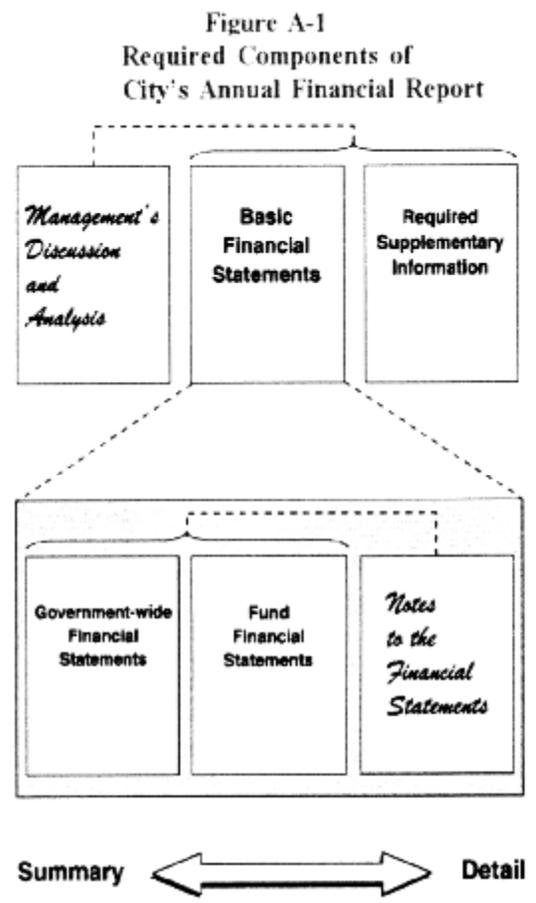
- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
- The *governmental funds* statements show how general government services such as public safety were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information*, which further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another.

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

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

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



Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include public works, police, and general administration services. The Town has one business-type activity for the provision of garbage and trash collection services.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out, with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

The Town maintains five governmental funds; the General Fund, the Loxahatchee Groves Water Control District fund, the Transportation Fund, the Local Option Sales Tax Fund, and the Capital Improvement Fund.

The Town adopts an annual appropriated budget for the General Fund, the Loxahatchee Groves Water Control District fund, the Transportation Fund, and the Local Option Sales Tax Fund. A budgetary comparison statement has been provided for the General Fund, the Loxahatchee Groves Water Control District fund, the Transportation Fund, and the Local Option Sales Tax Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 15 thru 20 of this report.

Enterprise funds. The Town has one enterprise fund, the Sanitation Fund, which charges customers for the services provided. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-55 of this report.

Government-wide Financial Analysis

Summary of net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, governmental activity assets plus deferred outflows exceeded liabilities plus deferred inflows by \$6,957,480. Business-type activity liabilities exceeded assets by \$8,655. The Town-wide total net position was \$6,948,825 at the close of the fiscal year ended September 30, 2018. The Statement of Net Position is on page 13 of this report.

The Town's investment in capital assets (e.g., land, buildings, equipment and vehicles, less any related debt used to acquire those assets that is still outstanding) was \$4,652,258 or 67% of total net position at September 30, 2018. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the net position \$1,973,806 or 28% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$322,761 or 5% may be used to meet the government's ongoing obligations to citizens and creditors. The following table reflects the condensed Statement of Net Position for the current year as compared to the prior year.

Table 1
Town of Loxahatchee Groves
Summary of Net Position

	Governmental Activities		Business Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 4,072,720	\$ 2,662,725	\$ 100,416	\$ 81,086	\$ 4,173,136	\$ 2,743,811
Capital assets	4,652,258	3,972,901	-	-	4,652,258	3,972,901
Total assets	<u>8,724,978</u>	<u>6,635,626</u>	<u>100,416</u>	<u>81,086</u>	<u>8,825,394</u>	<u>6,716,712</u>
Deferred outflows of resources	164,705	-	-	-	164,705	-
Liabilities:						
Long-term liabilities	1,537,886	-	-	-	1,537,886	-
Other liabilities	272,902	208,098	109,071	101,521	381,973	309,619
Total liabilities	<u>1,810,788</u>	<u>208,098</u>	<u>109,071</u>	<u>101,521</u>	<u>1,919,859</u>	<u>309,619</u>
Deferred inflows of resources	121,415	-	-	-	121,415	-
Net position:						
Net investment in capital assets	4,652,258	3,962,198	-	-	4,652,258	3,962,198
Restricted	1,973,806	1,163,010	-	-	1,973,806	1,163,010
Unrestricted	331,416	1,302,320	(8,655)	(20,435)	322,761	1,281,885
Total net position	<u>\$ 6,957,480</u>	<u>\$ 6,427,528</u>	<u>\$ (8,655)</u>	<u>\$ (20,435)</u>	<u>\$ 6,948,825</u>	<u>\$ 6,407,093</u>

Governmental Activities.

- Ø During the fiscal year 2018, net position increased by \$529,952, \$1,269,175 from the net position of the Loxahatchee Groves Water Control District which became a dependent special district on June 26, 2018 and a \$(739,223) from the current year operations.

Business Activities.

- Ø The funding for the operation is derived from an assessment placed up residential properties within the Town's jurisdiction.
- Ø The Town assesses 1,424 residential properties \$256.27 per year for both the collection and disposal of solid waste.
- Ø Palm Beach County Property Appraiser notifies all affected property owners of the amount, public hearing date, and location of the meeting when the Town will adopt the Tentative Assessment.
- Ø Palm Beach County Tax Collector receives all Town ad valorem tax and assessment payments and remits the funds to the Town.

The following is a summary of the changes in net position for the years ended September 30, 2018 and 2017. Key indicators, including revenues and expenditures by category are presented herein for review:

Table 2
Town of Loxahatchee Groves
Changes in Net Position

	Governmental Activities		Business Activities		Total	
	2018 (1)	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 104,397	\$ 110,820	\$ 364,869	\$ 357,835	\$ 469,266	\$ 468,655
Grants and contributions	45,178	260,404	51,582	54,351	96,760	314,755
General revenues:						
Property taxes	612,844	361,816	-	-	612,844	361,816
Local option sales tax	219,920	160,446	-	-	219,920	160,446
Franchise fees	214,497	262,181	-	-	214,497	262,181
Utility taxes	388,641	372,182	-	-	388,641	372,182
Intergovernmental	748,944	741,009	-	-	748,944	741,009
Investment/other income	27,713	13,636	-	-	27,713	13,636
Total revenues	<u>2,362,134</u>	<u>2,282,494</u>	<u>416,451</u>	<u>412,186</u>	<u>2,778,585</u>	<u>2,694,680</u>
Expenses:						
General Government	1,051,357	963,530	-	-	1,051,357	963,530
Public safety	610,000	294,621	-	-	610,000	294,621
Physical environment	1,030,000	805,928	-	-	1,030,000	805,928
Sanitation			814,671	553,265	814,671	553,265
Total expenses	<u>2,691,357</u>	<u>2,064,079</u>	<u>814,671</u>	<u>553,265</u>	<u>3,506,028</u>	<u>2,617,344</u>
Increase (decrease) in net position before transfers	(329,223)	218,415	(398,220)	(141,079)	(727,443)	77,336
Transfers:	(410,000)	(92,547)	410,000	92,547	-	-
Increase (decrease) in net position	(739,223)	125,868	11,780	(48,532)	(727,443)	77,336
Net position, beginning (1)	<u>7,696,703</u>	<u>6,301,660</u>	<u>(20,435)</u>	<u>28,097</u>	<u>7,676,268</u>	<u>6,329,757</u>
Net position, ending	<u>\$ 6,957,480</u>	<u>\$ 6,427,528</u>	<u>\$ (8,655)</u>	<u>\$ (20,435)</u>	<u>\$ 6,948,825</u>	<u>\$ 6,407,093</u>

(1) Includes \$1,269,175 transferred in from the Loxahatchee Groves Water Control District which became a dependent special district on June 26, 2018.

Governmental Activities.

For fiscal year 2018, total revenues increased by \$79,640. Capital grants and contributions decreased by \$215,226 primarily due to contributed roads in 2017.

Total expenses increased by \$627,278 or 30% primarily due to the sheriff contract and road maintenance.

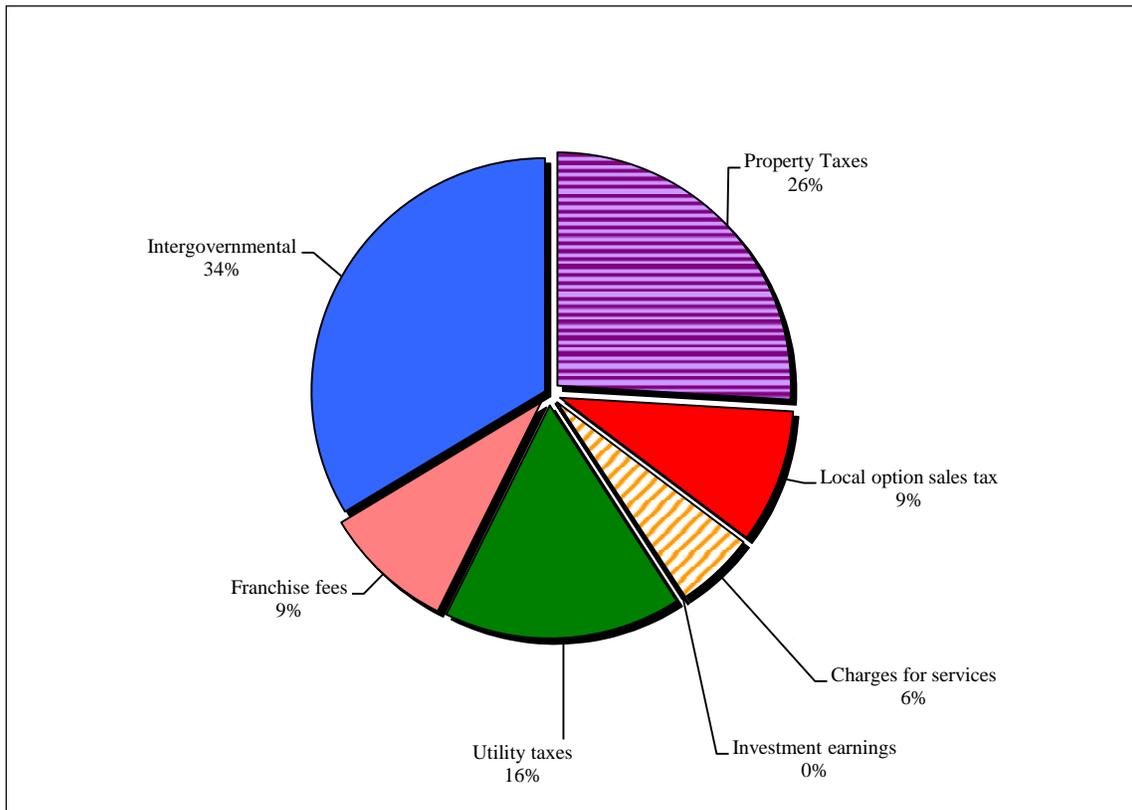
Business Activities.

Fiscal year 2018 is the eighth year the Town operated a proprietary fund as an enterprise fund within the Town's oversight. Revenue earned by business-type activities is primarily concentrated in one source, charges for services, \$364,869. This figure represents the fees assessed for the Town's enterprise fund, Sanitation. Operating revenues increased by \$4,265 or 1.0% from a year ago for the Sanitation Fund.

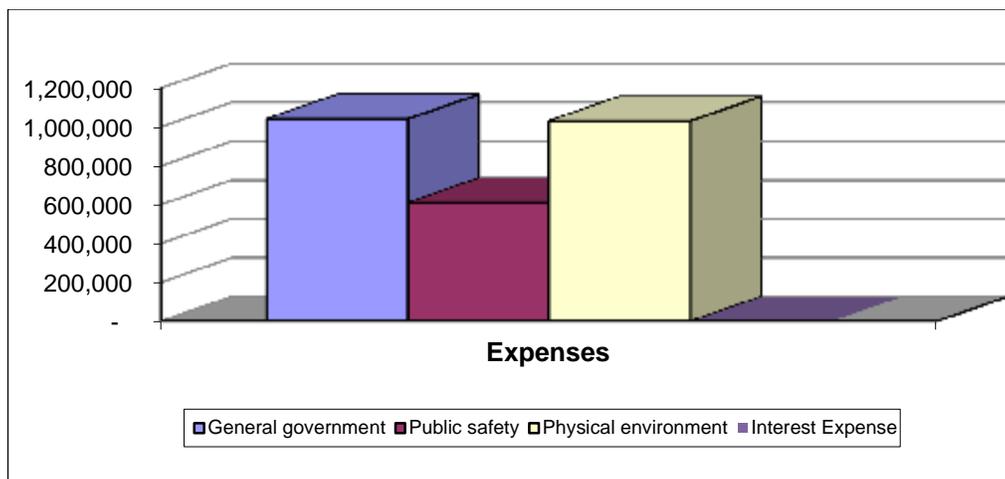
For business-type expenses, the \$814,671 represents Sanitation expenses. The increase of \$261,406 in total expense was the result of clean-up from Hurricane Irma. The Town increased its net position by \$11,780 at the end its eighth year of solid waste operations with ending net position of \$(8,655) for the business-type activities.

Figure A-2

**Town of Loxahatchee Groves
Revenues by Source – Governmental Activities
For the Fiscal Year Ended September 30, 2018**



**Figure A-3
Town of Loxahatchee Groves
Expenses – Governmental Activities
For the Fiscal Year Ended September 30, 2018**



Financial Analysis of the Government's Funds

The Town maintains five governmental funds; the General Fund, the Loxahatchee Groves Water Control District Fund, the Transportation Fund, the Local Option Sales Tax Fund and the Capital Improvement Fund.

The Town adopts an annual appropriated budgets for the General Fund, the Loxahatchee Groves Water Control District Fund, the Transportation Fund, and the Local Option Sales Tax Fund. The General Fund provides revenues and resources for basic governmental services. The Loxahatchee Groves Water Control District Fund is funded thru special assessments and accounts for the operations of the Town's dependent special district. The Transportation Fund is funded through a dedicated local option gas tax and can only be used for allowable transportation related expenses such as road, street maintenance, and construction. Likewise, the Local Option Sales Tax Fund is funded through an additional local option sales tax dedicated for infrastructure projects to occur over the next decade.

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

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

General Fund. The General Fund is the primary operating fund of the Town. At the end of the current fiscal year, the Town's General Fund reported a fund balance of \$485,224, an increase of \$59,249 in comparison with the prior fiscal year.

A summary of the General Fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance for September 30, 2018 and 2017 is shown below:

Table 3
Town of Loxahatchee Groves
Summary of General Fund Balance Sheet

	2018	2017	Change	% Change
Total assets	\$ 668,322	\$540,764	\$ 127,558	24%
Total liabilities	\$ 173,098	\$ 111,789	\$ 61,309	55%
Deferred inflows	10,000		10,000	100%
Nonspendable fund balance	-	3,750	(3,750)	100%
Unassigned fund balance	485,224	425,225	59,999	14%
Total fund balance	485,234	428,975	56,259	13%
Total liabilities, deferred inflows, and fund balance	\$ 668,322	\$ 540,764	\$ 127,558	24%

During the fiscal year 2018, the General Fund assets increased by \$127,558 or 24%. The increase is mainly due to increases in cash as a result of the current year's operations. Liabilities increased by \$61,309 or 55% mainly due to increases in due to other governments. Total fund balance increased by \$56,259 or 13% due to revenues exceeding expenditures and transfers.

Table 4
Town of Loxahatchee Groves
Summary of General Fund Statement of Revenues,
Expenditures, and Changes in Fund Balance

	2018	2017	Change	% Change
Total revenues	\$ 1,693,510	\$ 1,454,421	\$ 239,089	16%
Total expenditures	1,637,261	1,268,605	368,656	29%
Excess of revenues over (under)expenditures	56,249	185,816	(129,567)	(70)%
Other financing uses	-	(92,547)	92,547	(100)%
Change in fund balance	56,249	93,269	(37,020)	(40)%
Fund balance, beginning	428,975	335,706	93,269	28%
Fund balance ending	<u>\$ 485,224</u>	<u>\$ 428,975</u>	<u>\$56,249</u>	13%

The Town of Loxahatchee Groves General Fund revenues increased \$239,089 or 16%. This increase was primarily due to increased property tax revenues along with smaller increases in other revenue categories.

Total expenditures increased \$368,656 or 29% primarily due to the cost of public safety.

There were no transfers in the current year which resulted in the small decrease in other financing uses this year.

General Fund Budgetary Highlights

The Town adopts annual budgets by fund, department function and object in compliance with Florida State Statute Section 200.065 (commonly referred to as the Truth-in Millage Legislation). The law requires municipal organizations to prepare and adopt annual operating budgets for the General, Special Revenue and Debt Service Funds following uniform time frames related to property tax levies. The balanced budgets may be revised throughout the year. The Town's code allows for intra-department level budget transfers between expenditure categories without Council approval; however, inter-department and fund total changes require Council-approved budget amendments adopted by resolution.

The Town's policy is to adopt the budget following the second public hearing of each fiscal year, held in September for an October 1st year. Budget amendments may be presented to Council at any time during the fiscal year.

Over the course of the year, the Town did amend the General Fund budget. The fiscal year final 2018 budget was \$1.70 million as originally adopted. The actual revenues were less than budgeted revenues by \$5,688 or 0.3% primarily due to franchise tax revenues. The unanticipated loss of revenue, along with \$53,372 in underspending (spread across several departments) offset by small variances in public safety and other financing sources, resulted in a 13% or \$56,249 increase to fund balance.

Budget versus actual schedules are presented on page 56 for the General Fund.

Loxahatchee Groves Water Control District Special Revenue Fund

The Loxahatchee Groves Water Control District which became a dependent special district on June 26, 2018, and the operations were reported as a special revenue fund as of that date. The fund transferred in \$1,185,017 as of that date and had a change in fund balance of \$(472,317) for the three months ended September 30, 2018. The reason for the decrease was the special assessments were recorded as revenue prior to June 26, 2018, with required debt service and additional operating expenditures incurred after that date.

Transportation Special Revenue Fund

The fund balance of the Transportation Special Revenue Fund decreased by \$776,471, which was due to planned expenditures and transfers for road repairs and maintenance.

Local Option Sales Tax Special Revenue Fund

In 2016, a one-cent infrastructure surtax or Local Option Sales Tax was approved by the voters in Palm Beach County for no more than ten years. The distribution is 50% for the School Board, 30% for the County, and 20% to be distributed to the Municipalities. Accordingly, the Town established the Local Option Sales Tax Fund to account for these funds which will enable the Town to initiate at least a portion of long-overdue roadway improvement projects. In 2018, the total funds received were \$219,920.

Capital Improvement Fund

The Capital Improvement Fund had an ending fund balance of \$923,048, which was an decrease of \$39,594 due to planned spending on road improvement projects along with budgeted transfers out. The Town Council also continues its efforts to identify and prioritize additional projects to be funded.

Capital Assets

As of September 30, 2018, the Town's capital assets amounted to \$4,652,258 (net of accumulated depreciation). More details relating to capital assets can be found on Note 4 of the Notes to the Financial Statements.

Long Term Debt

The Loxahatchee Groves Water Control District which became a dependent special district on June 26, 2018, transferred in long term debt of \$1,387,375 and ended the year with a balance of \$1,124,375. More details relating to long term debt can be found on Note 5 of the Notes to the Financial Statements

Economic Factors and Next Year's Budgets and Rates

- Ø In setting its fiscal 2018-2019 budget, the Town adopted a millage rate of 3.0000.
- Ø The Town of Loxahatchee Groves anticipates that the total assessed property value will increase between 5 and 10% for 2018. Accordingly, the Town's reserves will secure the Town's income flow for the upcoming fiscal years.

The State of Florida, by constitution, does not have a state personal income tax and therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely upon property taxes and a limited array of permitted other taxes (sales, telecommunication, gasoline, utilities services, etc.) and fees (franchise, building permits, occupational license, etc.) for funding of their governmental activities. In addition, there are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

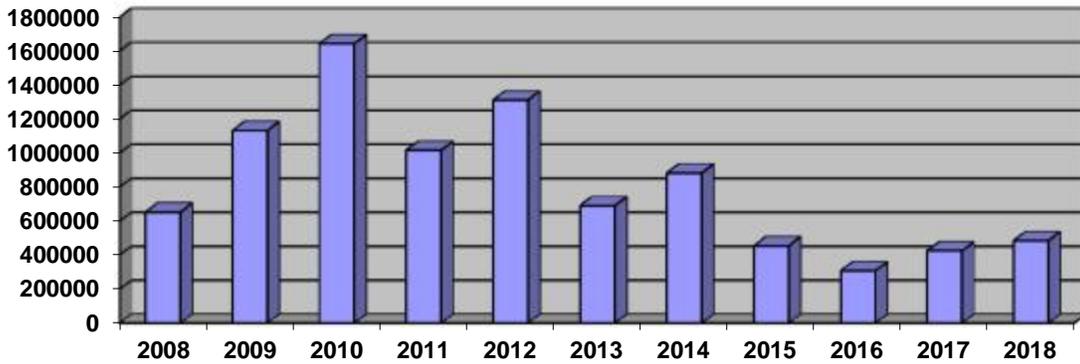
On January 29, 2008 the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property. Amendment 1 became effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which became effective on January 1, 2009.

Additional tax relief bills were introduced at the 2018 legislative session which could further limit the extent to which municipalities can levy taxes. Along with all Florida municipalities, the Town faces the unknown negative financial impact of a proposed constitutional amendment on the November 8, 2018 ballot which was approved, which created an additional \$25,000 exemption for homestead properties for the purposes of non-school (city, county and special district) property taxes. It has been estimated that the new homestead exemption will have a collective negative fiscal impact on all Florida cities, counties and special districts of roughly \$750 million in the first year growing to nearly \$820 million by the fifth year.

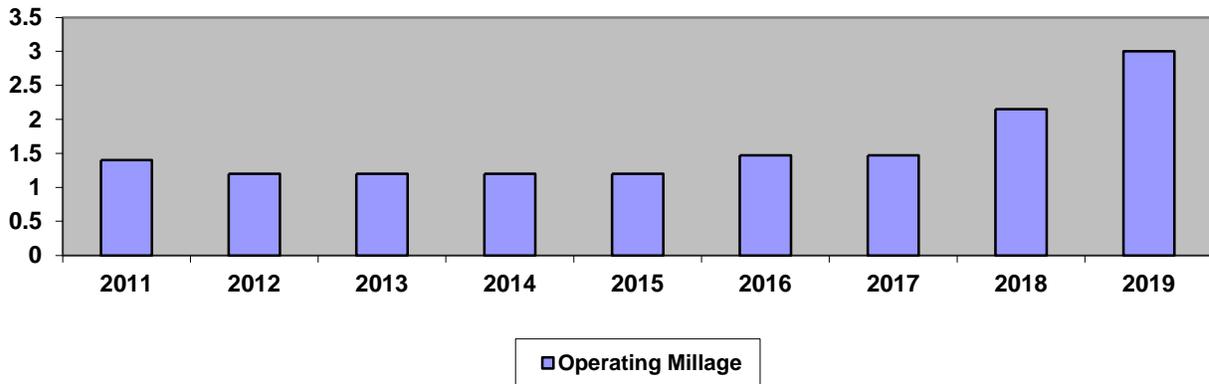
Revenues in the FY 2019 adopted General Fund budget are \$2.421 million, an increase of approximately 43% from the FY 2018 actual revenues of \$1.693 million. Fiscal year 2019 budgeted expenditures are expected to increase in the same manner largely due to continued subsidies to the Solid Waste fund as well as for increased repairs and maintenance.

**General Fund Unassigned Surplus
For the Fiscal Years ended September 30, 2008-2018**



In 1995, the state of Florida limited all local governments' ability to increase property assessments of homestead property in any given year to 3 percent or cost of living, whichever is lower. The graph below shows the millage rates since 2011. The Town, just like many cities across the country, has to face the challenge of keeping taxes and service charges as low as possible while providing residents with the level of service they have come to expect.

**Town of Loxahatchee Groves Millage
For the Fiscal Years ended September 30, 2011-2019**



The operating millage rate for tax year 2018, which is collected in fiscal year 2019, is 3.0000 or \$3.00 per thousand dollars of taxable value. Historically, the rollback rate has always been lower than the existing rate. Overall, the adopted budget is an economical and prudent financial plan that will ensure quality public services and needed capital improvements for all residents, both today and in the future.

Requests for Information

This financial report is designed to provide a general overview of the Town of Loxahatchee Groves' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, 155 F Road, Loxahatchee Groves, Florida 33470.

BASIC FINANCIAL STATEMENTS

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Net Position
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,670,038	\$	\$ 2,670,038
Receivables			
Planning and zoning	50,688		50,688
Franchise and utility taxes	93,208		93,208
Due from other governments	128,894	105,933	234,827
Internal balances	5,517	(5,517)	
Debt assessments receivable	1,124,375		1,124,375
Capital assets			
Non-depreciable	882,250		882,250
Depreciable (net of depreciation)	3,770,008		3,770,008
Total assets	<u>8,724,978</u>	<u>100,416</u>	<u>8,825,394</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	<u>164,705</u>		<u>164,705</u>
LIABILITIES			
Accounts payable	149,195	109,071	258,266
Due to other governments	43,029		43,029
Deposits for planning and zoning	74,944		74,944
Accrued interest payable	5,734		5,734
Noncurrent liabilities			
Due within one year	274,244		274,244
Due in more than one year	1,263,642		1,263,642
Total liabilities	<u>1,810,788</u>	<u>109,071</u>	<u>1,919,859</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	112,847		112,847
Unearned revenues	<u>8,568</u>		<u>8,568</u>
Total deferred inflows of resources	<u>121,415</u>		<u>121,415</u>
NET POSITION			
Net position			
Net investment in capital assets	4,652,258		4,652,258
Restricted for:			
Debt service	98,193		98,193
Road resurfacing	367,516		367,516
Infrastructure	380,366		380,366
Transportation	886,474		886,474
Water control district	241,257		241,257
Unrestricted	331,416	(8,655)	322,761
Total net position	<u>\$ 6,957,480</u>	<u>\$ (8,655)</u>	<u>\$ 6,948,825</u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Activities
For the Year Ended September 30, 2018

Function / Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 1,042,085	\$ 104,397	\$ 45,178	\$	\$ (892,510)	\$	\$ (892,510)
Public safety	610,000				(610,000)		(610,000)
Physical environment	1,030,000				(1,030,000)		(1,030,000)
Interest expense	9,272				(9,272)		(9,272)
Total governmental activities	<u>2,691,357</u>	<u>104,397</u>	<u>45,178</u>		<u>(2,541,782)</u>		<u>(2,541,782)</u>
Business-type activities							
Sanitation	814,671	364,869	51,582			(398,220)	(398,220)
Total	<u>\$ 3,506,028</u>	<u>\$ 469,266</u>	<u>\$ 96,760</u>	<u>\$</u>	<u>(2,541,782)</u>	<u>(398,220)</u>	<u>(2,940,002)</u>
		General revenues					
		Property taxes			612,844		612,844
		Local option sales tax			219,920		219,920
		Franchise taxes			214,497		214,497
		Utility taxes			388,641		388,641
		Intergovernmental (unrestricted)			748,944		748,944
		Miscellaneous revenue			25,130		25,130
		Interest			2,583		2,583
		Transfers			(410,000)	410,000	
		Total general revenues and transfers			<u>1,802,559</u>	<u>410,000</u>	<u>2,212,559</u>
		Change in net position			(739,223)	11,780	(727,443)
		Net position, beginning of year			6,427,528	(20,435)	6,407,093
		Transfer in, see Note 9			<u>1,269,175</u>		<u>1,269,175</u>
		Net position, end of year			<u>\$ 6,957,480</u>	<u>\$ (8,655)</u>	<u>\$ 6,948,825</u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2018

	Major Funds			
	General	Loxahatchee Groves Water Control District	Transportation	Local Option Sales Tax
ASSETS				
Cash and cash equivalents	\$ 488,641	\$ 751,104	\$ 123,796	\$ 358,837
Receivables				
Planning and zoning	50,688			
Franchise and utility taxes	93,208			
Due from other governments	30,268		70,303	21,529
Due from other funds	5,517			
Debt assessments receivable		1,124,375		
Total assets	<u>\$ 668,322</u>	<u>\$ 1,875,479</u>	<u>\$ 194,099</u>	<u>\$ 380,366</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 55,125	\$ 38,404	\$ 31,055	
Due to other governments	43,029			
Deposits for planning and zoning	74,944			
Total liabilities	<u>173,098</u>	<u>38,404</u>	<u>31,055</u>	
Deferred inflows of resources				
Unavailable revenues	1,432	1,124,375	36,951	
Unearned revenue	8,568			
Total deferred inflows of resources	<u>10,000</u>	<u>1,124,375</u>	<u>36,951</u>	
Fund balances				
Restricted for:				
Debt service		103,927		
Road resurfacing		367,516		
Infrastructure				380,366
Transportation			126,093	
Water control district		241,257		
Assigned for capital projects				
Unassigned	485,224			
Total fund balances	<u>485,224</u>	<u>712,700</u>	<u>126,093</u>	<u>380,366</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 668,322</u>	<u>\$ 1,875,479</u>	<u>\$ 194,099</u>	<u>\$ 380,366</u>

<u>Capital Improvement</u>	<u>Total</u>
\$ 947,660	\$ 2,670,038
	50,688
	93,208
6,794	128,894
	5,517
	<u>1,124,375</u>
<u>\$ 954,454</u>	<u>\$ 4,072,720</u>

\$ 24,611	\$ 149,195
	43,029
	<u>74,944</u>
<u>24,611</u>	<u>267,168</u>

6,795	1,169,553
	8,568
<u>6,795</u>	<u>1,178,121</u>

	103,927
	367,516
	380,366
760,381	886,474
	241,257
162,667	162,667
	<u>485,224</u>
<u>923,048</u>	<u>2,627,431</u>
<u>\$ 954,454</u>	<u>\$ 4,072,720</u>

See notes to the financial statements

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TOWN OF LOXAHATCHEE GROVES
Reconciliation of the Balance Sheet – Governmental Fund
to the Statement of Net Position
September 30, 2018

Fund balances total governmental fund		\$ 2,627,431
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	\$ 7,697,418	
Less accumulated depreciation	<u>(3,045,160)</u>	4,652,258
Revenues earned but not collected within 60 days are not current financial resources and therefore, are not reported in the governmental fund.		
Unavailable revenue		1,169,553
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	(3,244)	
Note payable	(1,124,375)	
Accrued interest on long-term debt	<u>(5,734)</u>	(1,543,620)
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	164,705	
Pension related deferred inflows	<u>(112,847)</u>	<u>51,858</u>
Net position of governmental activities		<u><u>\$ 6,957,480</u></u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Year Ended September 30, 2018

	Major Funds			
	General	Loxahatchee Groves Water Control District	Transportation	Local Option Sales Tax
Revenues				
Property taxes	\$ 612,844	\$	\$	\$
Local option sales tax				219,920
Franchise taxes	214,497			
Utility service taxes	388,641			
Intergovernmental revenues	347,750		401,194	
Licenses and permits	51,897			
Charges for services	43,258			
Fines and forfeitures	9,242			
Miscellaneous revenue	24,275	855		
Interest	1,106	1,477		
Total revenues	<u>1,693,510</u>	<u>2,332</u>	<u>401,194</u>	<u>219,920</u>
Expenditures				
Current				
General government	1,027,261			
Public safety	610,000			
Physical environment		190,422	481,979	
Debt service				
Principal		263,000		
Interest		21,227		
Other debt service costs			2,438	
Capital outlay				
Total expenditures	<u>1,637,261</u>	<u>474,649</u>	<u>484,417</u>	
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>56,249</u>	<u>(472,317)</u>	<u>(83,223)</u>	<u>219,920</u>
Other financing sources				
Transfers in			196,825	
Transfers out			(890,073)	
Total other financing sources			<u>(693,248)</u>	
Net change in fund balances	56,249	(472,317)	(776,471)	219,920
Fund balances, beginning of year	428,975		902,564	160,446
Transfer in, see Note 9		1,185,017		
Fund balances, end of year	<u>\$ 485,224</u>	<u>\$ 712,700</u>	<u>\$ 126,093</u>	<u>\$ 380,366</u>

<u>Capital Improvement</u>	<u>Total</u>
\$	\$ 612,844
	219,920
	214,497
	388,641
	748,944
	51,897
	43,258
	9,242
	25,130
	2,583
	<u>2,316,956</u>
	1,027,261
	610,000
	672,401
	263,000
	21,227
	2,438
<u>322,842</u>	<u>322,842</u>
<u>322,842</u>	<u>2,919,169</u>
<u>(322,842)</u>	<u>(602,213)</u>
890,073	1,086,898
<u>(606,825)</u>	<u>(1,496,898)</u>
<u>283,248</u>	<u>(410,000)</u>
(39,594)	(1,012,213)
962,642	2,454,627
	<u>1,185,017</u>
<u>\$ 923,048</u>	<u>\$ 2,627,431</u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of the Governmental Fund to the Statement of Activities
For the Year Ended September 30, 2018

Net change in fund balances - total governmental funds \$ (1,012,213)

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	\$ 327,842	
Less: current year depreciation	<u>(414,531)</u>	(86,689)

Revenues earned but not collected within 60 days are not current financial resources and therefore, are not reported in the governmental fund.

Grant revenues not available in current year	45,178
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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	263,000
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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	11,955	
Change in net pension liability and related deferred amounts	1,517	
Change in long-term compensated absences	<u>38,029</u>	<u>51,501</u>

Change in net position	<u><u>\$ (739,223)</u></u>
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See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Net Position
Proprietary Fund
September 30, 2018

	<u>Sanitation Fund</u>
ASSETS	
Cash and cash equivalents	\$
Due from other governments	<u>105,933</u>
Total assets	<u>105,933</u>
 LIABILITIES AND NET POSITION	
Liabilities	
Accounts payable	109,071
Due to other funds	<u>5,517</u>
Total liabilities	<u>114,588</u>
 Net Position	
Unrestricted	<u><u>\$ (8,655)</u></u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Revenues, Expenses, and Changes
in Net Position
Proprietary Fund
For the Year Ended September 30, 2018

	<u>Sanitation Fund</u>
Operating revenues	
Charges for services	<u>\$ 364,869</u>
Operating expenses	
Solid waste contractor	459,099
Other expenses	<u>355,572</u>
Total operating expenses	<u>814,671</u>
Operating loss	(449,802)
Nonoperating revenues	
Grant income	51,582
Transfers in	<u>410,000</u>
Total nonoperating revenues	461,582
Change in net position	11,780
Net position, beginning of year	<u>(20,435)</u>
Net position, end of year	<u><u>\$ (8,655)</u></u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2018

	<u>Sanitation Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 364,869
Payments to suppliers	<u>(807,121)</u>
Net cash used by operating activities	<u>(442,252)</u>
Cash flows from non-capital financing activities:	
Payments from other funds	<u>415,517</u>
Net decrease in cash and cash equivalents	(26,735)
Cash and cash equivalents, beginning of year	<u>26,735</u>
Cash and cash equivalents, end of year	<u><u>\$</u></u>
Cash flows from operating activities	
Operating loss	\$ (449,802)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>7,550</u>
Net cash used by operating activities	<u><u>\$ (442,252)</u></u>

See notes to the financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Loxahatchee Groves, Florida (the “Town”) 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 Town’s significant accounting policies are described below.

Reporting Entity

The Town was incorporated on November 1, 2006, as a municipal corporation, in accordance with Chapter 2006-328 under the Laws of the State of Florida, and was established to conduct a government, perform municipal functions, and provide services to its citizens, as provided by the Constitution of the State of Florida. The Town operates under a Council-Manager form of government. The Town Council is responsible for legislative and fiscal control of the Town. A Town Manager is appointed by the Town Council and is responsible for the administration of all Town affairs placed in the manager's charge by charter or action of the Town Council.

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

1. 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 Town,

or

2. the organization is fiscally dependent on the Town and (1) there is a potential for the organization to provide specific financial benefits to the Town or (2) impose specific financial burdens on the Town.

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

Based upon application of the above criteria, the Town of Loxahatchee Groves has determined that there the Loxahatchee Groves Water Control District of Palm Beach County, Florida (District) is the only legally separate entities to consider as potential component unit.

Although the District is legally separate from the Town, 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, therefore the District meets the first test of financial accountability. See Note 10 for additional information. The District does not issue separate financial statements and is reported as a special revenue fund type.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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. For the most part, the effect of inter-fund activity has been removed from these statements, except for inter-fund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

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 Town's policy to use restricted resources first, then unrestricted resources.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. The Town does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which levied, and since the Town consistently has no material uncollected property taxes at year end. 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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Funds (Continued)

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

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, franchise 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 Town.

The Town reports the following major governmental funds:

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

The town reports the following special revenue funds. The Transportation Fund accounts for revenues that are restricted for transportation related expenditures. The Local Option Sales Tax Fund accounts for local option sales taxes that are restricted for infrastructure related expenditures. The Loxahatchee Groves Water Control District Fund accounts for the operations of the Town's dependent special district.

The Capital Improvement Fund is a capital projects fund to account for long term capital projects of the Town.

Proprietary Fund

The Town reports one major proprietary fund the Sanitation Fund to account for the Town's garbage and trash collection services, which are financed primarily by user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's Sanitation Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Statement of Cash Flows

For purposes of the statement of cash flows, the Town considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to a known amount of cash, and at the day of purchase, have a maturity date no longer than three months.

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.

Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to” or “due from other funds”. Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Transfers and interfund balances totally within governmental activities and those that are totally within business-type activities are eliminated and not presented in the government wide financial statements. Transfers and balances between governmental and business-type activities are presented in the government-wide financial statements.

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets, excluding infrastructure assets, are defined by the Town 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:

Equipment	4 to 10 years
Buildings	15 to 40 years
Infrastructure	5 to 50 years

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

It is the Town'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 Town 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.

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 Town'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. Business tax receipts that are received by the Town prior to the period for which the taxes are levied are reported as deferred inflows on both the government-wide statement of net position and on the governmental funds balance sheet.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflow of Resources (Continued)

3. 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.

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.

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, deferred outflows and inflows, 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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Town 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 Town Council by the adoption of an ordinance, the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by the adoption of an ordinance.
- 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 Town's fund balance policy, the Town Council or Town Manager may make assignments.
- 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 Town's policy to use restricted resources first, then unrestricted resources as they are needed. The Town 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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned Fund Balance/Unrestricted Net Position

Maintaining an adequate fund balance or net position is essential to the Town's financial health. The unassigned fund balance and unrestricted net position will be considered adequate between a minimum of 25% and a maximum of 30% of the current year's operating appropriations, including transfers, for the General Fund; and minimum of 0% and a maximum of 25% of the current year's operating appropriations, including transfers, will be considered adequate unrestricted net position for the Enterprise Funds.

In the event that sufficient unassigned fund balance/unrestricted net position targets are not met, a proposed revenue enhancement and/or service level reduction plan to achieve the target will be submitted to the Council for the subsequent year budget consideration. The replenishment to the expected minimum level shall be completed within five years.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

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

1. Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of two resolutions – one establishing a milage rate and another adopting the final budget.
4. The Town prepares and adopts budgets for the General Fund and Transportation Fund. No differences exist between the budgetary and GAAP basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Town Council. If, at any time during the fiscal year, it appears probable to the Town Manager that the revenues available will be insufficient to meet the amount appropriated, the Town Manager shall report to the Council without delay, indicating the estimated amount of the deficit, any remedial action taken, and recommendations as to any other steps that should be taken.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Data (Continued)

The Council shall then take such further action as it deems necessary to prevent or minimize any deficit and, for that purpose, the council may by resolution reduce one or more appropriations accordingly. The legal level of control (level of which expenditures may not exceed the budget) is at the department level for the General Fund and at the fund level for the Transportation and Local Option Sales Tax Funds.

5. Appropriations along with encumbrances lapse on September 30.
6. During the fiscal year ended September 30, 2018, there were five supplemental appropriations.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide.

The tax levy of the Town is established by the Town Council prior to October 1 of each year, and the Palm Beach County Property Appraiser incorporates the Town's millages into the total tax levy, which includes Palm Beach County and Palm Beach County School Board tax requirements. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax rate for the Palm Beach County Fire/Rescue Municipal Service Taxing Unit (MSTU) is included in the 10 mills. The millage rate assessed by the Town for the year ended September 30, 2018, was 2.15 mills (\$2.15 per \$1,000 of taxable assessed valuation).

All property is reassessed according to its fair market value January 1 of each year, which is also the lien date. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for Ad Valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all the appropriate requirements of state statutes.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Property Taxes (Continued)

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. Taxes may be paid less a discount beginning November 1. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1, following the year in which they are assessed.

On or prior, to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After the sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations.

NOTE 3 - CASH AND INVESTMENTS

Deposits

As of September 30, 2018, the carrying amounts of the Town's deposits were \$2,669,738 and the bank balances totaled \$2,733,824. 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 Town also had \$300 of petty cash.

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 Town's entire bank balance \$2,733,824 is insured either by Federal depository insurance or is collateralized with securities pursuant to the Florida Security for Public Deposits Act. The Town's deposits at year end are considered insured for custodial credit risk purposes.

Investments

The Town adopted an investment policy on August 5, 2008, which is consistent with the requirements of State Statute 218.415. In accordance with Section 218.415 of the Florida Statutes, the Town is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities and in the Local Government Surplus Trust Funds administered by the State Board of Administration (SBA). The policy was subsequently amended to include the Florida Municipal Investment Trust administered by the Florida League of Cities.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's investment policy states that interest rate risk will be minimized by:

1. Structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
2. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

NOTE 4 - CAPITAL ASSETS

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

Primary Government

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 442,827	\$	\$	\$ 86,207	\$ 529,034
Construction in progress	30,374	322,842			353,216
Capital assets being depreciated:					
Buildings	487,308			67,345	554,653
Equipment	15,195	5,000		956,742	976,937
Infrastructure	4,285,056			998,522	5,283,578
Total at historical cost:	<u>5,260,760</u>	<u>327,842</u>		<u>2,108,816</u>	<u>7,697,418</u>
Less accumulated depreciation for:					
Buildings	(34,808)	(14,011)		(53,905)	(102,724)
Equipment	(9,416)	(13,533)		(665,286)	(688,235)
Infrastructure s	(1,243,635)	(386,987)		(623,579)	(2,254,201)
Total accumulated depreciation	<u>(1,287,859)</u>	<u>(414,531)</u>		<u>(1,342,770)</u>	<u>(3,045,160)</u>
Governmental activities capital assets, net	<u>\$ 3,972,901</u>	<u>\$ (86,689)</u>	<u>\$</u>	<u>\$ 766,046</u>	<u>\$ 4,652,258</u>

Transfers were the Capital Assets of the Loxahatchee Water Control of Palm Beach County, Florida, which became a dependent special district of the Town on June 26, 2018. See Note 10 for more information.

Depreciation expense of \$14,824 was charged to the general government function and \$399,707 was charged to the physical environment functions of the Town.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 5 – LONG-TERM LIABILITIES

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 \$367,516 at September 30, 2018 consists of funds are for the resurfacing of (i) the improvements to North A Road and North Road approved by referendum on February 24, 2009 (the "North A Road Project"), (ii) the improvements to North C Road and North Road approved by referendum on March 25, 2009 (the "North C Road Project"), (iii) the improvements to South C Road and Collecting Canal Road approved by referendum on February 25, 2010 (the "South C Road Project"), (iv) the improvements to North D Road and North Road approved by referendum on April 22, 2009 (the "North D Road Project"). The resurfacing was estimated to be required in fiscal year 2019.

The Town is evaluating the merits of pre-paying some or all the Series 2011 Note (aka “the OGEM Loan”). The bank is amenable to such action and has been asked to calculate the various options for refunding and or recalibrating the principal balances and maturity date. The Council will be presented best option proposals at an upcoming Council meeting.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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 fiscal year.

	Balance October 1, 2017	Transfers	Additions	Deletions	Balance September 30, 2018	Due Within One Year
Note payable	\$	\$ 1,387,375	\$	\$ (263,000)	\$ 1,124,375	\$ 271,000
Compensated absences		41,273	3,192	(41,221)	3,244	3,244
Net pension liability		410,267			410,267	
	<u>\$</u>	<u>\$ 1,838,915</u>	<u>\$ 3,192</u>	<u>\$ (304,221)</u>	<u>\$ 1,537,886</u>	<u>\$ 274,244</u>

Transfers were the Long-Term Liabilities of the Loxahatchee Water Control District of Palm Beach County, Florida, which became a dependent special district of the Town on June 26, 2018. See Note 10 for more information.

Compensated absences and net pension liabilities are expected to be paid out of the General and Loxahatchee Water Control District funds.

Annual Maturities

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

Year Ending September 30	Principal	Interest	Total Amount
2019	\$ 271,000	\$ 34,406	\$ 305,406
2020	279,000	26,113	305,113
2021	288,000	17,576	305,576
2022	286,375	8,763	295,138
Total	<u>\$ 1,124,375</u>	<u>\$ 86,858</u>	<u>\$ 1,211,233</u>

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Contributions (Continued)

The employer contribution rates by job class For the fiscal year ended September 30, 2018 were as follows:

Class	10/1/17 through 6/30/18	07/01/18 through 09/30/18
Regular Class	7.92%	8.26%
Senior Management Service Class	22.71%	24.06%
Special Risk Class	23.27%	24.50%
DROP	13.26%	14.03%

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 fiscal year ended September 30, 2018, the Town and District made contributions of \$7,440 to the Pension Plan and the Town and District’s employees made contributions of \$3,491, for total contributions of \$10,931.

Pension Liabilities and Pension Expense

At September 30, 2018, the Town 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 Town’s proportionate share of the net pension liability was based on the Town’s and District’s 2017-18 plan year contributions relative to the 2017-18 plan year contributions of all participating members. At June 30, 2018, the Town’s and 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 fiscal year ended September 30, 2018, the Town and District recognized pension expense of \$59,227 related to the Plan.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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	1,068	
Total	<u>\$ 148,253</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%

The deferred outflows of resources totaling \$1,068 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources 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>

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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:

Asset Class	(1) Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
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%	7.0%	26.5%
Strategic Investments	6.0%	6.0%	5.7%	8.6%
Total	100.0%			
Assumed Inflation - Mean			2.60%	1.90%

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

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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 Town’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Town’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:

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

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 September 30, 2018, the Town had \$692 payable for outstanding contributions to the Pension Plan for the fiscal year ended September 30, 2018.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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 fiscal year ended September 30, 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 fiscal year ended September 30, 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 Town's and District's contributions to the HIS Plan totaled \$4,666 for the fiscal year ended September 30, 2018.

Pension Liabilities and Pension Expense

At September 30, 2018, the Town 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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

Pension Liabilities and Pension Expense (Continued)

The Town's proportionate share of the net pension liability was based on the Town's and District's 2017-18 plan year contributions relative to the 2017-18 plan year contributions of all participating members. At June 30, 2018, the Town's and 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 fiscal year ended September 30, 2018, the Town and District recognized pension expense of \$3,047.

Deferred Outflows and Inflows of Resources Related to Pensions

In addition the Town 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	449	
Total	<u>\$ 16,452</u>	<u>\$ 44,718</u>

The deferred outflows of resources totaling \$449 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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 will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u> <u>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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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 Town’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Town’s proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the Town’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 September 30, 2018, the Town had \$102 payable for outstanding contributions to the HIS Plan for the fiscal year ended September 30, 2018.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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 year ended September 30, 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	148,253	16,452	164,705
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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 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 fiscal year ended September 30, 2018, are as follows:

Class	10/1/17 through 6/30/18	07/01/18 through 09/30/18
Regular Class	7.92%	8.26%
Senior Management Service Class	22.71%	24.06%

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 fiscal year ended September 30, 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.

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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 6 – FLORIDA RETIREMENT SYSTEM (Continued)

Investment Plan (Continued)

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 \$21,738 for the fiscal year ended September 30, 2018.

NOTE 7 – INTERFUND TRANSFERS

The Capital Improvement Fund transferred \$196,825, which was originally funded by the General Fund, to the Transportation Fund for maintenance costs; the Transportation Fund transferred \$890,073 to the Capital Improvement Fund for roadway expenditures; and the Capital Improvement Fund transferred \$410,000, which was originally funded by the General Fund, to the Sanitation Fund to for Hurricane Irma expenses.

NOTE 8 – SANITATION FUND DEFICIT

Sanitation Fund had a negative net position of \$8,655 at September 30, 2018. This was caused primarily from unreimbursed Hurricane Irma expenses in fiscal years 2017 and 2018. The fund recorded FEMA reimbursements of \$51,582 in the current year and \$54,350 in the prior compared to expenses of \$83,300 and \$318,700 respectively. The Town still has pending claims for reimbursement filed with FEMA but no estimate of potential reimbursements.

NOTE 9 - RISK MANAGEMENT

The Town 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 Town 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 Town'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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 9 - RISK MANAGEMENT (Continued)

The Town is a defendant in various lawsuits arising in the ordinary course of normal operations. Although the ultimate outcome 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.

NOTE 10 – 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 Loxahatchee Groves Water Control 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. Starting on June 26, 2018, the operations of the District are reported as a special revenue fund of the Town of Loxahatchee Groves, Florida.

At June 26, 2018, net position of \$1,269,175 was transferred into the Governmental Activities of the Town and fund balance of \$1,185,017 was transferred into the Loxahatchee Groves Water Control District special revenue fund.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Professional Services Agreement- Management Services

The Town entered into a professional service agreement for the positions of Town Manager, Town Clerk and financial reporting services with Underwood Management Company, Inc. (UMC) The contract started on October 1, 2011, and expired on September 30, 2014, and called for monthly payments of \$20,885. The contract was amended to include additional services for a total monthly payment of \$28,956. The contract was amended on May 6, 2014 to extend the contract to September 30, 2015. On September 1, 2015, the contract was amended to expire September 30th, 2016. Subsequent to this, a new agreement was entered into on April 5th, 2016 effective for the period beginning October 1, 2015, for \$30,364 per month and extended the contract to September 30, 2018. The Town amended the contract on May 3, 2016, to include additional services for a monthly fee of \$39,239.

On August 7, 2018, the Town entered into a new contract thru September 30, 2020 and providing for the transition from Underwood Management to Town employees by the end of the contract. The base monthly fee was \$41,311.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

Professional Services Agreement- Management Services (Continued)

At the regular January 15, 2019 Loxahatchee Groves Town Council meeting, by unanimous vote the council acted to terminate their contractual agreement with the UMC for services, staffing and management of town operations, as well as relieve Mr. William Underwood, II acting as Town Manager at a prescribed date certain. The UMC contract required 120-day notice under the terms of the agreement for “termination without cause,” which was executed by this action.

On January 29, 2019 the Town Council passed Resolution 2019-08 (and Resolution No. 2019-09 transitioning management) extending an employment offer to Mr. James S. Titcomb to become the town-employed full time Town Manager, with an effective contractual start date of March 18th, 2019; delayed start due to prior employment contractual obligations among the various affected parties.

Mr. Underwood remained in place as Town Manager per the UMC management contract with the Town through March 17th, 2019. From March 18th thru May 19th, 2019, the UMC contract continued to provide basic staffing positions and services as prescribed in their agreement.

As of March 18th, newly appointed Town Manager, Mr. Titcomb, assumed full responsibilities of day-to-day town operations as well as conversion of former contract employees to town employed staff members, pending expiration of the full management agreement contract in place under UMC.

Based on the August 7, 2018 UMC contract approved by the Town Council on that date, the Town received a potential claim assertion (2019) of additional contractual considerations due. The Town is also evaluating these claims and its legal position. At this time no estimate can be made as to the amount, if any, that may result.

Interlocal Agreements with Palm Beach County

In 2007, the Town entered into two interlocal agreements with Palm Beach County (the County) for zoning services and land development services within the municipal limits of the Town. The County will provide the same level of service to the Town as it provides its unincorporated areas and collect fees and surcharges from applicants for the services. Oversight of the County’s performance of these public services will be performed by the Town Manager. Both agreements automatically renew each year unless either party notifies the other, in writing, of the other party’s desire to terminate all or part of the agreements six months in advance, but no later than April 1 of the previous fiscal year.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

Agreement with Palm Beach County for Law Enforcement Services

On June 6, 2017, the Town executed a new agreement with Palm Beach County for law enforcement services, for an annual amount of \$610,000 for the fiscal year ending September 30, 2018. Absent a notice of termination, the agreement renews annually subject to the costing proposal by the Sheriff. Effective October 1, 2018, the first amendment to the contract was for an annual amount of \$622,200 for the fiscal year ending September 30, 2019. The second amendment was approved September 27, 2019 for an additional twelve months at the same amount.

Fire Protection and Emergency Medical Services

The Town has opted into the County's Fire-Rescue Municipal Services Taxing Unit ("MSTU") for the provision of fire rescue, fire protection, and related services from the County. The tax for the MSTU is included in the maximum 10 mills the Town is legally allowed to assess. On September 30, 2018, the MSTU millage rate was 3.4581 mills.

Solid Waste and Recycling Collection Franchise Agreement

During 2013, the Town executed an agreement with Waste Pro of Florida for solid waste and recycling collection services. The term of the agreement is for the period beginning October 1, 2013 through September 30, 2018. Residential rates are set by a monthly amount per unit and commercial rates are set per cubic yard or per pull. The rates are adjusted based the Refuse Rate Index. On August 7, 2018, the agreement was amended thru September 30, 2019. The monthly rate starting October 1, 2018, is \$44,836.

Pursuant to RFP 2019-01 for solid waste collection and recycling services, the Town awarded a new contract to Coastal Waste & Recycling of Palm Beach County, LLC effective January 1, 2020 through December 31, 2026 in September, 2019 understanding that services would begin in 60 to 90 days based on delivery of new equipment. Concurrently, the Town entered into a separate interim agreement beginning October 1, 2019 and ending no later than December 31, 2019 with Coastal Waste & Recycling of Palm Beach County, LLC mirroring the previous Waste Pro agreement until such time as Coastal began service under the new agreement. The rate per unit was \$42 per unit per month or the same rate as quoted by Waste Pro for extension of their current contract. This rate dropped to \$37.50 per unit per month when the newly awarded contract with Coastal took effect on December 2, 2019.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

Lines of Credit

The Loxahatchee Groves Water Control 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.

On September 19, 2019, the Town approved a \$500,000 Emergency Revolving Line of Credit with Synovus Bank, at a variable interest rate equal to LIBOR plus 3%, but not less than 5.19% adjusted on the 1st day of each month. The Emergency Revolving Line of Credit is to provide emergency funds until such time as FEMA or State proceeds are received or is to be repaid by budgeted non-ad valorem revenues. The Emergency Revolving Line of Credit is valid for twelve months unless renewed.

Approved Bonds

On March 15, 2017, a referendum to use gas tax funds and if necessary, infrastructure sales tax funds, in support of issuing bonds in an amount not to exceed \$6,000,000 for new road construction was approved. On June 6, 2017, the Town Council approved Resolution No. 2017-31 authorizing the issuance of Roadway Improvement Revenue Bonds not exceeding \$6,000,000 and pledging the Town's Gas Tax Revenues and Sales Surtax Revenues; however, no Bonds have been issued as of December 6, 2019.

On March 12, 2019, a referendum authorizing the issuance of Bonds not to exceed \$4,000,000 to finance the fifty percent owner contribution portion of the costs of roadway improvements to be repaid by special assessments from the affected property owners, known as the 50% bonds; however, no Bonds have been issued as of December 6, 2019.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to year end the Town 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.

On August 20, 2019, the Town Council approved a contract with C. A. P Government, Inc. to provide code enforcement/compliance and related professional services services for the Town. The method of contracting is via a “piggy-back” agreement through a competitively bid agreement with the Town of Lake Worth Beach. Payments for the services are based on quoted hourly rates up to the amount approved in the Town budget.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2018

NOTE 13 – IMPLEMENTATION OF NEW STANDARDS

The District implemented the following Governmental Accounting Standards Board (GASB) statement during the fiscal year ended September 30, 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 September 30, 2018, the amount of OPEB liabilities of the Town were not significant, therefore no liability or expense was recorded.

NOTE 14 – NEW ACCOUNTING STANDARDS

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

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Required Supplementary Information (RSI)
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final Revised		
Revenues				
Property taxes	\$ 613,888	\$ 613,888	\$ 612,844	\$ (1,044)
Franchise taxes	268,780	268,780	214,497	(54,283)
Utility service taxes	372,106	372,106	388,641	16,535
Intergovernmental revenues	354,514	354,514	347,750	(6,764)
Licenses and permits	22,000	22,000	51,897	29,897
Charges for services	38,500	38,500	43,258	4,758
Fines and forfeitures	20,000	20,000	9,242	(10,758)
Miscellaneous revenue	8,210	8,210	24,275	16,065.00
Interest	1,200	1,200	1,106	(94)
Total revenues	<u>1,699,198</u>	<u>1,699,198</u>	<u>1,693,510</u>	<u>(5,688)</u>
Expenditures				
General government				
Legislative	70,650	63,650	62,562	1,088
Executive	350,653	375,653	364,687	10,966
Financial and administrative	37,710	37,710	37,701	9
Legal	120,000	95,000	91,717	3,283
Planning and zoning	157,924	245,424	218,783	26,641
Code enforcement	120,880	141,380	130,066	11,314
Other general government	129,216	121,816	121,745	71
Total general government	<u>987,033</u>	<u>1,080,633</u>	<u>1,027,261</u>	<u>53,372</u>
Public safety				
Police	612,000	612,000	610,000	2,000
Total expenditures	<u>1,599,033</u>	<u>1,692,633</u>	<u>1,637,261</u>	<u>55,372</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,165</u>	<u>6,565</u>	<u>56,249</u>	<u>49,684</u>
Other financing sources				
Transfers out	(100,165)	(50,165)		50,165
Transfer to fund balance		43,600		(43,600)
Total other financing sources	<u>(100,165)</u>	<u>(6,565)</u>		<u>6,565</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	56,249	<u>\$ 56,249</u>
Fund balance, beginning of year			<u>428,975</u>	
Fund balance, end of year			<u>\$ 485,224</u>	

TOWN OF LOXAHATCHEE GROVES
Required Supplementary Information (RSI)
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Loxahatchee Groves Water Control District Fund
For the Year Ended September 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final Revised		
Revenues				
Maintenance assessments	\$ 1,136,060	\$ 1,136,060	\$ 1,102,042	\$ (34,018)
Debt assessments	319,938	319,938	279,397	(40,541)
Sale of surplus equipment	40,000	40,000	88,946	48,946
Miscellaneous revenue			3,038	3,038
Interest			8,167	8,167
Total revenues	<u>1,495,998</u>	<u>1,495,998</u>	<u>1,481,590</u>	<u>(14,408)</u>
Expenditures				
Current				
Physical environment	1,138,343	1,138,343	889,273	249,070
Debt service	305,514	305,514	417,157	(111,643)
Capital outlay			35,942	(35,942)
Total expenditures	<u>1,443,857</u>	<u>1,443,857</u>	<u>1,342,372</u>	<u>101,485</u>
Excess (deficiency) of revenues over (under) expenditures	<u>52,141</u>	<u>52,141</u>	<u>139,218</u>	<u>87,077</u>
Other financing sources				
Transfer to fund balance	<u>(52,141)</u>	<u>(52,141)</u>		<u>52,141</u>
Total other financing sources	<u>(52,141)</u>	<u>(52,141)</u>		<u>52,141</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	139,218	<u>\$ 139,218</u>
Fund balance, beginning of year			<u>573,482</u>	
Fund balance, end of year			<u>\$ 712,700</u>	

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Required Supplementary Information (RSI)
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Transportation Fund
For the Year Ended September 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final Revised		
Revenues				
Intergovernmental revenues	\$ 414,567	\$ 414,567	\$ 401,194	\$ (13,373)
Total revenues	<u>414,567</u>	<u>414,567</u>	<u>401,194</u>	<u>(13,373)</u>
Expenditures				
Physical environment				
Roads and streets	305,667	586,667	481,979	104,688
Debt service				
Interest	108,900	58,900		58,900
Other debt service costs	<u>200,000</u>	<u>200,000</u>	2,438	<u>197,562</u>
Total expenditures	<u>614,567</u>	<u>845,567</u>	<u>484,417</u>	<u>361,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200,000)</u>	<u>(431,000)</u>	<u>(83,223)</u>	<u>347,777</u>
Other financing sources				
Debt proceeds	5,000,000	5,000,000		(5,000,000)
Transfers in		231,000	196,825	(34,175)
Transfers out	(4,800,000)	(5,690,073)	(890,073)	4,800,000
Appropriated fund balance		890,073		(890,073)
Total other financing sources	<u>200,000</u>	<u>431,000</u>	<u>(693,248)</u>	<u>(1,124,248)</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	(776,471)	<u>\$ (776,471)</u>
Fund balance, beginning of year			<u>902,564</u>	
Fund balance, end of year			<u>\$ 126,093</u>	

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Required Supplementary Information (RSI)
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Local Option Sales Tax Fund
For the Year Ended September 30, 2018

	Budget Amounts		Actual Amounts	Variance
	Original	Final Revised		
Revenues				
Local option sales tax	\$ 213,748	\$ 213,748	\$ 219,920	\$ 6,172
Total revenues	<u>213,748</u>	<u>213,748</u>	<u>219,920</u>	<u>6,172</u>
Expenditures				
Physical environment				
Roads and streets	<u>213,748</u>	<u>213,748</u>		<u>213,748</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	219,920	<u>\$ 219,920</u>
Fund balance, beginning of year			<u>160,446</u>	
Fund balance, end of year			<u>\$ 380,366</u>	

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Required Supplementary Information (RSI)

September 30, 2018

Note 1 - Basis of Accounting

Budgetary comparison schedules are presented for the General, Local Option Sales Tax, and Transportation Funds, as required by generally accepted accounting principles. The budgetary process is described in Note 2 to the financial statements. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Note 2 - Stewardship, Compliance, and Accountability

Appropriations are legally controlled at the department level for the General Fund and at the fund level for the other funds. Expenditures may not legally exceed budgeted appropriations at that level. For the year ended September 30, 2018, there were no expenditures that exceeded the legal level of control.

Note 3 - Loxahatchee Water Control District

The Loxahatchee Water Control District become a dependent special district of the Town effective June 26, 2018, however; to show budgetary compliance the entire fiscal year is included in the budgetary required supplementary information.

TOWN OF LOXAHATCHEE GROVES, 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	\$ 7,440
FRS contributions in relation to the contractually required contribution	<u>(32,722)</u>	<u>(34,576)</u>	<u>(10,252)</u>	<u>(7,440)</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%	7.32%

The Loxahatchee Water Control District become a dependent special district of the Town effective June 26, 2018, however; to show budgetary compliance the entire fiscal

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 Loxahatchee Water Control District become a dependent special district of the Town effective June 26, 2018, fiscal year 2018 and earlier are for the District as the Town did not have any employees.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Required Supplemental Information
Schedule of Proportionate 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 Loxahatchee Water Control District become a dependent special district of the Town effective June 26, 2018, fiscal year 2018 and earlier are for the District as the Town did not have any employees. 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.

TOWN OF LOXAHATCHEE GROVES, 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	\$ 4,666
HIS contributions in relation to the contractually required contribution	<u>(5,868)</u>	<u>(34,576)</u>	<u>(2,863)</u>	<u>(4,666)</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%	1.84%

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 Loxahatchee Water Control District become a dependent special district of the Town effective June 26, 2018, fiscal year 2018 and earlier are for the District as the Town did not have any employees.

TOWN OF LOXAHATCHEE GROVES, 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 Loxahatchee Water Control District become a dependent special district of the Town effective June 26, 2018, fiscal year 2018 and earlier are for the District as the Town did not have any employees. 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.

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Town of Loxahatchee Groves' comprehensive annual financial report presents detailed unaudited information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the Town's overall financial health.

Contents

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Financial Trends

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. These schedules include:

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Fund Balances of Governmental Funds	68
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General Governmental Revenues by Source	70

Revenue Capacity

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

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Debt Capacity

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

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Operating Information

These schedules contain service and infrastructure data to help understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Net Position By Component

Last Ten Fiscal Years

(accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:					
Net investment in capital assets	\$ 5,100	\$ 3,656	\$ 7,600	\$ 55,475	\$ 1,538,853
Restricted	315,885	449,365	620,295	642,359	896,886
Unrestricted	<u>1,133,301</u>	<u>1,671,555</u>	<u>2,045,135</u>	<u>2,334,787</u>	<u>2,132,881</u>
Total governmental activities net position	<u>\$ 1,454,286</u>	<u>\$ 2,124,576</u>	<u>\$ 2,673,030</u>	<u>\$ 3,032,621</u>	<u>\$ 4,568,620</u>
Business-type activities					
Unrestricted	<u>\$</u>	<u>\$</u>	<u>\$ (4,102.00)</u>	<u>\$ 31,689</u>	<u>\$ 37,058</u>
Primary government:					
Net investment in capital assets	\$ 5,100	\$ 3,656	\$ 7,600	\$ 55,475	\$ 1,538,853
Restricted	315,885	449,365	620,295	642,359	896,886
Unrestricted	<u>1,133,301</u>	<u>1,671,555</u>	<u>2,041,033</u>	<u>2,366,476</u>	<u>2,169,939</u>
Total primary government net position	<u>\$ 1,454,286</u>	<u>\$ 2,124,576</u>	<u>\$ 2,668,928</u>	<u>\$ 3,064,310</u>	<u>\$ 4,605,678</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities:					
Net investment in capital assets	\$ 1,492,795	\$ 1,856,215	\$ 3,165,292	\$ 3,962,198	\$ 4,652,258
Restricted	1,076,147	1,266,673	1,035,067	1,163,010	1,973,806
Unrestricted	<u>2,150,361</u>	<u>1,633,875</u>	<u>2,101,301</u>	<u>1,302,320</u>	<u>331,416</u>
Total governmental activities net position	<u>\$ 4,719,303</u>	<u>\$ 4,756,763</u>	<u>\$ 6,301,660</u>	<u>\$ 6,427,528</u>	<u>\$ 6,957,480</u>
Business-type activities					
Unrestricted	<u>\$ 38,959</u>	<u>\$ 29,594</u>	<u>\$ 28,097</u>	<u>\$ (20,435)</u>	<u>\$ (8,655)</u>
Primary government:					
Net investment in capital assets	\$ 1,492,795	\$ 1,856,215	\$ 3,165,292	\$ 3,962,198	\$ 4,652,258
Restricted	1,076,147	1,266,673	1,035,067	1,163,010	1,973,806
Unrestricted	<u>2,189,320</u>	<u>1,663,469</u>	<u>2,129,398</u>	<u>1,281,885</u>	<u>322,761</u>
Total primary government net position	<u>\$ 4,758,262</u>	<u>\$ 4,786,357</u>	<u>\$ 6,329,757</u>	<u>\$ 6,407,093</u>	<u>\$ 6,948,825</u>

The Loxahatchee Groves Water Control District became a dependent special district on June 26, 2018, transferring in \$1,269,175 of net position as of that date.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
EXPENSES					
Governmental activities:					
General government	\$ 558,728	\$ 451,305	\$ 477,173	\$ 580,508	\$ 744,933
Public safety	280,295	272,064	274,785	274,911	275,243
Physical environment	480,523	716,178	182,996	342,238	366,296
Interest expense					
Total governmental activities	<u>1,319,546</u>	<u>1,439,547</u>	<u>934,954</u>	<u>1,197,657</u>	<u>1,386,472</u>
Business-type activities:					
Sanitation	-	-	469,761	429,196	479,497
Total primary government expenses	<u>1,319,546</u>	<u>1,439,547</u>	<u>1,404,715</u>	<u>1,626,853</u>	<u>1,865,969</u>
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	12,496	12,743	11,948	107,895	56,392
Public safety	-	-	-	-	-
Physical environment	500,260	445,368	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	453	49,813	1,600,044
Total governmental activities program revenues	<u>512,756</u>	<u>458,111</u>	<u>12,401</u>	<u>157,708</u>	<u>1,656,436</u>
Business-type activities:					
Charges for services-Sanitation	-	-	464,023	464,987	347,557
Operating grants and contributions	-	-	-	-	-
Total business-type program revenues	<u>-</u>	<u>-</u>	<u>464,023</u>	<u>464,987</u>	<u>347,557</u>
Total primary government program revenues	<u>512,756</u>	<u>458,111</u>	<u>476,424</u>	<u>622,695</u>	<u>2,003,993</u>
Net (expense) revenue					
Governmental activities	(806,790)	(981,436)	(922,553)	(1,039,949)	269,964
Business-type activities	-	-	(5,738)	35,791	(131,940)
Total primary government net (expenses) revenue	<u>(806,790)</u>	<u>(981,436)</u>	<u>(928,291)</u>	<u>(1,004,158)</u>	<u>138,024</u>
General revenues and Other Changes in Net Position:					
Governmental activities:					
Property taxes	446,294	321,912	263,170	214,645	210,005
Local option sales tax	-	-	-	-	-
Utility taxes	268,748	481,710	345,155	341,596	342,478
Franchise fees based on gross receipts	232,172	208,158	207,153	193,270	192,552
Unrestricted intergovernmental revenue	625,617	633,171	635,465	648,838	655,888
Interest and other	9,028	6,775	20,064	1,191	2,421
Transfers	-	-	-	-	(137,309)
Total governmental activities	<u>1,581,859</u>	<u>1,651,726</u>	<u>1,471,007</u>	<u>1,399,540</u>	<u>1,266,035</u>
Business-type activities:					
Interest and other	-	-	1,636	-	-
Transfers	-	-	-	-	137,309
Total business-type activities	<u>-</u>	<u>-</u>	<u>1,636</u>	<u>-</u>	<u>137,309</u>
Total primary government	<u>1,581,859</u>	<u>1,651,726</u>	<u>1,472,643</u>	<u>1,399,540</u>	<u>1,403,344</u>
Change in Net Position					
Governmental activities	775,069	670,290	548,454	359,591	1,535,999
Business-type activities	-	-	(4,102)	35,791	5,369
Total primary government	<u>\$ 775,069</u>	<u>\$ 670,290</u>	<u>\$ 544,352</u>	<u>\$ 395,382</u>	<u>\$ 1,541,368</u>

2014	2015	2016	2017	2018
\$ 675,546	\$ 916,445	\$ 914,583	\$ 963,530	\$ 1,042,085
280,515	285,459	290,048	294,621	610,000
454,398	402,114	1,061,666	805,928	1,030,000
				9,272
<u>1,410,459</u>	<u>1,604,018</u>	<u>2,266,297</u>	<u>2,064,079</u>	<u>2,691,357</u>
<u>419,256</u>	<u>440,786</u>	<u>435,614</u>	<u>553,265</u>	<u>814,671</u>
<u>1,829,715</u>	<u>2,044,804</u>	<u>2,701,911</u>	<u>2,617,344</u>	<u>3,506,028</u>
56,635	132,333	204,519	110,820	104,397
-	-	-	-	-
-	-	-	-	-
-	-	-	-	45,178
40,000	-	1,997,697	260,404	-
<u>96,635</u>	<u>132,333</u>	<u>2,202,216</u>	<u>371,224</u>	<u>149,575</u>
421,157	431,421	339,620	357,835	364,869
-	-	-	54,351	51,582
<u>421,157</u>	<u>431,421</u>	<u>339,620</u>	<u>412,186</u>	<u>416,451</u>
<u>517,792</u>	<u>563,754</u>	<u>2,541,836</u>	<u>783,410</u>	<u>566,026</u>
(1,313,824)	(1,471,685)	(64,081)	(1,692,855)	(2,541,782)
1,901	(9,365)	(95,994)	(141,079)	(398,220)
<u>(1,311,923)</u>	<u>(1,481,050)</u>	<u>(160,075)</u>	<u>(1,833,934)</u>	<u>(2,940,002)</u>
208,173	229,355	315,454	361,816	612,844
-	-	-	160,446	219,920
355,879	349,103	353,221	372,182	388,641
220,245	221,246	312,064	262,181	214,497
677,061	709,241	722,300	741,009	748,944
3,149	200	436	13,636	27,713
-	-	(94,497)	(92,547)	(410,000)
<u>1,464,507</u>	<u>1,509,145</u>	<u>1,608,978</u>	<u>1,818,723</u>	<u>1,802,559</u>
-	-	-	-	-
-	-	94,497	92,547	410,000
-	-	94,497	92,547	410,000
<u>1,464,507</u>	<u>1,509,145</u>	<u>1,703,475</u>	<u>1,911,270</u>	<u>2,212,559</u>
150,683	37,460	1,544,897	125,868	(739,223)
1,901	(9,365)	(1,497)	(48,532)	11,780
<u>\$ 152,584</u>	<u>\$ 28,095</u>	<u>\$ 1,543,400</u>	<u>\$ 77,336</u>	<u>\$ (727,443)</u>

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund					
Nonspendable-prepays	\$ 27,969	\$ 28,437	\$ 28,437	\$ 22,899	\$ 42,604
Restricted for transportation	315,885				
Assigned for capital projects			1,000,000		
Unassigned	<u>1,105,332</u>	<u>1,643,118</u>	<u>1,016,698</u>	<u>1,311,888</u>	<u>690,277</u>
Total general fund	<u>\$ 1,449,186</u>	<u>\$ 1,671,555</u>	<u>\$ 2,045,135</u>	<u>\$ 1,334,787</u>	<u>\$ 732,881</u>
All other governmental funds					
Restricted for infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for transportation	-	449,365	620,295	642,359	896,886
Assigned for capital projects				1,000,000	1,400,000
Total all other governmental funds	<u>\$ -</u>	<u>\$ 449,365</u>	<u>\$ 620,295</u>	<u>\$ 1,642,359</u>	<u>\$ 2,296,886</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund					
Nonspendable-prepays	\$ 47,425	\$ 26,562	\$ 28,293	\$ 3,750	\$ -
Restricted for transportation					
Assigned for capital projects					
Unassigned	<u>882,923</u>	<u>454,232</u>	<u>307,413</u>	<u>425,225</u>	<u>485,224</u>
Total general fund	<u>\$ 930,348</u>	<u>\$ 480,794</u>	<u>\$ 335,706</u>	<u>\$ 428,975</u>	<u>\$ 485,224</u>
All other governmental funds					
Restricted for infrastructure	\$ -	\$ -	\$ -	\$ 160,446	\$ 380,366
Restricted for transportation	1,076,147	1,266,673	1,035,067	1,002,564	1,253,990
Restricted for water control district					241,257
Restricted for debt service					103,927
Assigned for capital projects	<u>1,220,013</u>	<u>1,153,081</u>	<u>1,119,740</u>	<u>862,642</u>	<u>162,667</u>
Total all other governmental funds	<u>\$ 2,296,160</u>	<u>\$ 2,419,754</u>	<u>\$ 2,154,807</u>	<u>\$ 2,025,652</u>	<u>\$ 2,142,207</u>

The Loxahatchee Groves Water Control District became a dependent special district on June 26, 2018, transferring in \$1,185,017 of restricted fund balance as of that date.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013
REVENUES					
Property taxes	\$ 446,294	\$ 321,912	\$ 263,170	\$ 214,645	\$ 210,005
Local option sales tax	-	-	-	-	-
Utility taxes	268,748	481,710	345,155	341,596	342,478
Franchise fees	232,172	208,158	207,153	193,270	192,552
Intergovernmental revenue	625,617	633,171	635,465	648,838	655,888
Charge for services	502,035	447,379	2,352	61,650	45,117
Licenses and permits	10,721	10,732	9,596	10,518	9,564
Fines and forfeitures	-	-	-	35,727	1,711
Contributions from private sources	-	-	-	49,813	-
Interest and other	9,028	6,775	20,064	1,191	2,421
Total revenues	<u>2,094,615</u>	<u>2,109,837</u>	<u>1,482,955</u>	<u>1,557,248</u>	<u>1,459,736</u>
EXPENDITURES					
Current:					
General government	560,348	449,861	480,664	578,987	744,225
Public safety	280,295	272,064	274,785	274,911	275,243
Physical environment	480,523	716,178	182,996	340,971	250,338
Capital outlay	-	-	-	50,663	0
Total expenditures	<u>1,321,166</u>	<u>1,438,103</u>	<u>938,445</u>	<u>1,245,532</u>	<u>1,269,806</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	541,844
Transfers out	-	-	-	-	(679,153)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137,309)</u>
Net change in fund balances	<u>\$ 773,449</u>	<u>\$ 671,734</u>	<u>\$ 544,510</u>	<u>\$ 311,716</u>	<u>\$ 52,621</u>

Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%
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	2014	2015	2016	2017	2018
REVENUES					
Property taxes	\$ 208,173	\$ 229,355	\$ 315,454	\$ 361,816	\$ 612,844
Local option sales tax	-	-	-	160,446	219,920
Utility taxes	355,879	349,103	353,221	372,182	388,641
Franchise fees	220,245	221,246	312,064	262,181	214,497
Intergovernmental revenue	677,061	709,241	722,300	741,009	748,944
Charge for services	15,322	105,179	158,546	64,727	43,258
Licenses and permits	31,666	20,140	34,622	23,524	51,897
Fines and forfeitures	9,647	7,014	11,351	22,569	9,242
Contributions	40,000	-	926,942	260,404	-
Interest and other	3,149	200	436	4,686	27,713
Total revenues	<u>1,561,142</u>	<u>1,641,478</u>	<u>2,834,936</u>	<u>2,273,544</u>	<u>2,316,956</u>
EXPENDITURES					
Current:					
General government	675,104	909,330	900,292	948,468	1,027,261
Public safety	280,515	285,459	290,048	294,621	610,000
Physical environment	213,725	150,995	768,167	454,017	672,401
Capital outlay	195,057.00	621,654	1,191,967	519,777	322,842
Debt service:					
Principal					263,000
Interest					21,227
Other debt service costs					2,438
Total expenditures	<u>1,364,401</u>	<u>1,967,438</u>	<u>3,150,474</u>	<u>2,216,883</u>	<u>2,919,169</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	55,070	40,000	378,638	0	1,086,898
Transfers out	(55,070)	(40,000)	(473,135)	(92,547)	(1,496,898)
	<u>-</u>	<u>-</u>	<u>(94,497)</u>	<u>(92,547)</u>	<u>(410,000)</u>
Net change in fund balances	<u>\$ 196,741</u>	<u>\$ (325,960)</u>	<u>\$ (410,035)</u>	<u>\$ (35,886)</u>	<u>\$ (1,012,213)</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	12.4%

TOWN OF LOXAHATCHEE GROVES, FLORIDA
 General Governmental Revenues by Source
 Last Ten Fiscal Years
 (accrual basis of accounting)

Fiscal Year	Ad-Valorem Taxes General Purpose	Local Option Sales Tax (2)	Utility Tax	Intergovernmental	Franchise Tax
2009	\$ 446,294	\$ -	\$ 268,748	\$ 625,617	\$ 232,172
2010	321,912	-	481,710	633,171	208,158
2011	263,170	-	345,155	635,465	207,153
2012	214,645	-	341,596	648,838	193,270
2013	210,005	-	342,478	655,888	192,552
2014	208,173	-	355,879	677,061	220,245
2015	229,355	-	349,103	709,241	221,246
2016	315,454	-	353,221	722,300	312,064
2017	361,816	160,446	372,182	741,009	262,181
2018	612,844	219,920	388,641	748,944	214,497

(1) Starting in 2011 sanitation revenue is recorded in the Sanitation Fund.

(2) The tax was started in 2017 and it will last ten years with the proceeds restricted for Infrastructure expenditures

Charges for Service (1)	License and Permits	Fines and Forfeitures	Contributions	Interest/ Other	Total
\$ 502,035	\$ 10,721	\$ 12	\$ -	\$ 9,016	\$ 2,094,615
444,379	10,732	-	-	6,775	2,106,837
2,352	9,596	-	-	20,064	1,482,955
61,650	10,518	35,727	49,813	1,191	1,557,248
45,117	9,564	1,711	-	2,421	1,459,736
31,666	15,322	9,647	40,000	3,149	1,561,142
105,179	20,140	7,014	-	200	1,641,478
158,546	34,622	11,351	926,942	436	2,834,936
64,727	23,524	22,569	260,404	4,686	2,273,544
43,258	51,897	9,242	-	27,713	2,316,956

TOWN OF LOXAHATCHEE GROVES, FLORIDA
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	Real Property				Personal Property	Net Assessed Value
	Residential Property	Commercial Property	Agricultural Property	Gov't/Institutional Property		
2009	\$ 207,549,455	\$ 18,974,712	\$ 71,068,044		\$ 9,797,359	\$ 307,389,570
2010	146,181,111	16,932,326	54,450,995		9,823,860	227,388,292
2011	143,947,895	14,652,455	59,567,834		12,798,827	230,967,011
2012	140,860,901	13,939,039	61,640,848		12,048,183	228,488,971
2013	135,879,337	19,406,534	63,669,330		12,887,438	231,842,639
2014	115,303,596	15,012,230	57,596,934	1,343,527	8,583,515	197,839,802
2015	118,838,958	15,012,230	55,282,018	1,339,377	13,930,600	204,403,183
2016	161,229,749	21,299,409	63,489,636	1,308,383	15,502,799	262,829,976
2017	161,247,624	38,232,930	78,706,972	1,528,433	13,364,823	293,080,782
2018	160,049,414	37,400,435	78,664,760	2,360,928	13,380,833	291,834,929

Note: Property in the Town is reassessed each year. State law requires the Property Appraiser to appraise property at 100% of market value. The Florida Constitution was amended, effective January 1, 1995, to limit annual increases in assessed value of property with homestead exemption to 3% per year or the amount of the Consumer Price Index, whichever is less. The increase is not automatic since no assessed value shall exceed market value. Tax rates are per \$1,000 of assessed value.

Total Direct Tax Rate	Estimated Actual Value	Net Assessed Value as a Percentage of Estimated Actual Value
1.5000	\$ 653,870,928	47.01%
1.4000	459,295,516	49.51%
1.2000	327,489,734	70.53%
1.2000	313,377,456	72.91%
1.2000	308,896,937	75.06%
1.2000	374,606,234	52.81%
1.2000	361,603,906	56.53%
1.4718	320,014,496	82.13%
1.4718	356,117,093	82.30%
2.1500	373,032,241	78.23%

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

OVERLAPPING RATES

<u>Fiscal Year</u>	<u>Town Operating Millage</u>	<u>Palm Beach County School District</u>	<u>Palm Beach County General Government</u>	<u>Palm Beach County Debt Service</u>	<u>Palm Beach County Fire Rescue</u>
2009	1.5000	7.2510	3.7811	0.1845	2.7794
2010	1.4000	7.9830	4.3440	0.2174	2.9500
2011	1.2000	8.1540	4.7500	0.2460	3.4581
2012	1.2000	8.1800	4.7815	0.2110	3.4581
2013	1.2000	7.7780	4.7815	0.2037	3.4581
2014	1.2000	7.5860	4.7815	0.1914	3.4581
2015	1.2000	7.5940	4.7815	0.1462	3.4581
2016	1.4718	7.5120	4.7815	0.1327	3.4581
2017	1.4718	7.0700	4.7815	0.1208	3.4581
2018	2.1500	6.5720	4.7815	0.1165	3.4581

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

Source: Town of Loxahatchee Groves Finance Department and Palm Beach Property Appraiser's Office.

OVERLAPPING RATES

Palm Beach County Health Care District	Palm Beach County Library System	South Florida Water Management District	Children's Services Council	Florida Inland Navigation District	Total Direct and Overlapping Rates
0.8900	0.5427	0.5346	0.5823	0.0345	18.0801
0.9975	0.5518	0.5346	0.6009	0.0345	19.6137
1.1451	0.6069	0.5346	0.6898	0.0345	20.8190
1.1451	0.6081	0.5346	0.7513	0.0345	20.9042
1.1250	0.6065	0.3739	0.7475	0.0345	20.3087
1.0800	0.6024	0.3523	0.7025	0.0345	19.9887
1.0800	0.5985	0.3842	0.6745	0.0345	19.9515
1.0426	0.5933	0.3551	0.6677	0.0320	20.0468
0.7808	0.5891	0.3100	0.6590	0.0320	19.2731
0.7261	0.5901	0.2936	0.6403	0.0320	19.3602

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Principal Property Taxpayers
Last year and nine years ago

2018				2009			
<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage Total Assessed Valuation</u>	<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage Total Assessed Valuation</u>
ATLANTIC LAND INVESTMENTS LL	16,189,207	1	5.55%	GROVES MEDICAL PLAZA LLC	1,128,204	8	0.48%
GROVES MEDICAL PLAZA LLC	3,880,770	2	1.33%	ZDARSKY CONSTANTIN	2,358,031	2	1.01%
ZDARSKY CONSTANTIN	3,490,513	3	1.20%	FLORIDA POWER & LIGHT CO	3,017,804	1	1.30%
FLORIDA POWER & LIGHT CO	3,322,231	4	1.14%	R BROKE NOW LLC	2,328,627	3	1.00%
R BROKE NOW LLC	3,048,300	5	1.04%				
PUBLIX SUPER MARKETS INC	2,425,867	6	0.83%	YEES CORP	1,796,560	4	0.77%
WPB DEVELOPMENT LLC	2,416,646	7	0.83%				
YEES CORP	2,041,318	8	0.70%	EVERGLADES FARM EQUIP CO	1,731,146	5	0.74%
LANTANA HOLDINGS LLC	1,963,075	9	0.67%	SOUTHERN MANAGEMENT COR	1,601,806	6	0.69%
EVERGLADES FARM EQUIP CO	1,943,797	10	0.67%	SUNSPORT GARDENS	1,248,949	7	0.54%
				ROYALS OK LUNCH INC	1,025,077	9	0.44%
				GUEST W	456,990	10	0.20%
	\$ 17,161,234		5.88%		\$ 13,206,959		5.68%

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Taxes Levied for Fiscal Year</u>	<u>Collected Within the Fiscal Year of Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2009	465,999	441,450	94.73%	n/a	441,450	94.73%
2010	319,175	307,800	96.44%	n/a	307,800	96.44%
2011	263,434	261,597	99.30%	n/a	261,597	99.30%
2012	219,578	214,645	97.75%	n/a	214,645	97.75%
2013	215,284	210,006	97.55%	n/a	210,006	97.55%
2014	215,752	208,173	96.49%	n/a	208,173	96.49%
2015	235,147	229,355	97.54%	n/a	229,355	97.54%
2016	311,616	315,454	101.23%	n/a	315,454	101.23%
2017	374,285	361,093	96.48%	n/a	361,093	96.48%
2018	627,445	612,844	97.67%	n/a	612,844	97.67%

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2009	3,200	n/a	n/a	11.7%
2010	3,200	n/a	n/a	12.4%
2011	3,091	n/a	n/a	10.2%
2012	3,173	n/a	n/a	9.2%
2013	3,262	n/a	n/a	7.1%
2014	3,183	n/a	n/a	6.0%
2015	3,180	n/a	n/a	5.3%
2016	3,271	n/a	n/a	4.8%
2017	3,342	n/a	n/a	4.20%
2018	3,384	n/a	n/a	3.50%

(1) Population estimate for 2018 as published by the University of Florida, Bureau of Economic and Business Research.

(2) Personal income is the Palm Beach County per capita personal income applied to the Loxahatchee Groves population.

(3) Per Capita Personal Income is for Palm-Beach County from the U.S. Department of Commerce, Bureau of Economic Analysis. The most recent data are for fiscal 2005.

(4) Florida Agency for Workplace Innovation, Labor Force Statistics, Labor Force Summary, Annual Average Employment for Palm-Beach County.

n/a Data not available.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
 Direct and Overlapping Governmental Activities Debt
 Fiscal year ended September 30, 2018

<u>Government Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable(1)</u>	<u>Amount Applicable to Town of Loxahatchee Groves</u>
Debt repaid with property taxes:			
Palm Beach County School Board	\$ 9,853,000	0.17%	\$ 16,750
Palm Beach County	<u>\$ 82,850,000</u>	0.17%	<u>\$ 140,845</u>
Subtotal, overlapping debt	<u>\$ 92,703,000</u>		<u>\$ 157,595</u>
Other debt:			
Town of Loxahatchee Groves direct debt	\$ 1,124,375	100.00%	\$ 1,124,375
Total direct and overlapping debt	<u><u>\$ 93,827,375</u></u>		<u><u>\$ 1,281,970</u></u>

Sources: Data provided by the Palm Beach Country Finance Department and Palm Beach Country School Board

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Loxahatchee Groves. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt.

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values by taking the value that is within the Town's boundaries and dividing it by the County's and School Boards total taxable assessed value. This approach was also used for the other debt.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Principal Employers - Palm Beach County

Last year and nine years ago

September 30, 2018

Employer	2018			2009		
	EMPLOYEES	RANK	Percentage of Total County Employment	EMPLOYEES	RANK	Percentage of Total County Employment
Palm Beach County School District	21,466	1	2.94%	21,718	1	3.47%
Palm Beach County Government	11,849	2	1.62%	11,381	2	1.82%
Tenet Healthcare Corp.	5,939	3	0.81%	5,127	5	0.82%
NextEra Energy (Florida Power & Light)	4,404	4	0.60%	3,658	7	0.58%
Hospital Corporation of America (HCA)(1)	3,550	5	0.49%	4,150	6	0.66%
Boca Raton Regional Hospital	2,800	6	0.38%	-	-	-
Florida Atlantic University	2,644	7	0.36%	2,776	9	0.44%
Veterans Health Administration	2,535	8	0.35%	-	-	-
Bethesda Memorial Hospital	2,282	9	0.31%	2,300	10	0.37%
Office Depot	2,034	10	0.28%	-	-	-
Wackenhut Corporation	-			3,000	8	0.48%
State Government	-			9,300	3	1.48%
Federal Government	-			6,300	4	1.01%
	<u>59,503</u>		<u>8.14%</u>	<u>69,710</u>		<u>11.13%</u>

Source: Business Development Board of Palm Beach County

Note: The Town is not a significant area for employment but rather a residential community. Therefore, Palm Beach County statistics were used.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
 Full-Time Equivalent Town Government Employees by Function
 Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013
Legislative	(1)	(1)	(1)	(1)	(1)
Clerk	(1)	(1)	(1)	(1)	(1)
General government	(1)	(1)	(1)	(1)	(1)
Community Development	(1)	(1)	(1)	(1)	(1)
Public Works	(1)	(1)	(1)	(1)	(1)
Parks	(1)	(1)	(1)	(1)	(1)
Public Safety: Police	(2)	(2)	(2)	(2)	(2)

Function	2014	2015	2016	2017	2018
Legislative	(1)	(1)	(1)	(1)	(1)
Clerk	(1)	(1)	(1)	(1)	(1)
General government	(1)	(1)	(1)	(1)	(1)
Community Development	(1)	(1)	(1)	(1)	(1)
Public Works	(1)	(1)	(1)	(1)	4, (1)
Parks	(1)	(1)	(1)	(1)	(1)
Public Safety: Police	(2)	(2)	(2)	(2)	(2)

(1) - Town Manager and Town Clerk as well as other managerial services are provided by a private management company.

(2) - Police services contracted through Palm Beach County .

Source: Town of Loxahatchee Groves Finance Department

TOWN OF LOXAHATCHEE GROVES, FLORIDA
 Operating Indicators by Function
 Last Ten Fiscal Years (1)

Function/Program	2009	2010	2011	2012	2013
Public Safety					
Police:					
Number of emergency calls for service	(1)	(1)	(1)	(1)	(1)
Number of non-emergency calls for service	(1)	(1)	(1)	(1)	(1)
Number of arrests	(1)	(1)	(1)	(1)	(1)
Number of uniformed officers	(1)	(1)	(1)	(1)	(1)
Building and Zoning:					
Number of building permits issued	(1)	(1)	(1)	(1)	(1)
Number of certificates of use issued	(1)	(1)	(1)	(1)	(1)
Number of occupational licenses issued	(1)	(1)	(1)	(1)	(1)
Culture and Recreation					
Number of parks	(2)	(2)	(2)	(2)	(2)

Function/Program	2014	2015	2016	2017	2018
Public Safety					
Police:					
Number of emergency calls for service	(1)	(1)	(1)	(1)	(1)
Number of non-emergency calls for service	(1)	(1)	(1)	(1)	(1)
Number of arrests	(1)	(1)	(1)	(1)	(1)
Number of uniformed officers	(1)	(1)	(1)	(1)	(1)
Building and Zoning:					
Number of building permits issued	(1)	(1)	(1)	(1)	(1)
Number of certificates of use issued	(1)	(1)	(1)	(1)	(1)
Number of occupational licenses issued	(1)	(1)	(1)	(1)	(1)
Culture and Recreation					
Number of parks	(2)	(2)	(2)	(2)	(2)

(1) - The Town contracts with the County for these services.

(2)- The Town does not own any parks at this time.

Source: Town Clerk

COMPLIANCE SECTION



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 Honorable Mayor and Members of the Town Council
Town of Loxahatchee Groves, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Loxahatchee Groves, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Loxahatchee Groves, Florida’s basic financial statements and have issued our report thereon dated December 6, 2019. Our opinions on the governmental activities, the business-type 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 Town of Loxahatchee Groves, 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 Town of Loxahatchee Groves, Florida’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 Town of Loxahatchee Groves, Florida’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Loxahatchee Groves, Florida’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described below that we consider to be a material weakness.

Finding 2016-1 Updated Policies and Procedures Manual

Condition

On September 23, 2016, the Palm Beach County Office of Inspector General issued their report *2016-A-004 Town of Loxahatchee Groves Audit of Contracts, Vendors and Fixed Assets*. This report contained ten findings and twenty-two recommendations. Based on our audit procedures performed and reviewing the report's findings and recommendations the Town needs to revise its Policies and Procedures Manual. We also noted that existing policies were not always being followed or appropriately documented.

Criteria

Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficiencies, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management.

Effect

In the current fiscal year we noted the following:

- Bank reconciliations were not being properly prepared.
- Adjusting journal entries did not always have appropriate supporting documentation or approval.
- Disbursements were sometimes missing proper approval or supporting documentation.

Recommendation

We recommend the Town revise the Policies and Procedures Manual taking into consideration changes in the Town's operations since the last revision and present the newly revised manual to the Town Council for approval. We also recommend training and monitoring to ensure the policies and procedures are being followed.

Management's Response

Staff is revising the Policies and Procedures for the items and is working with the Town's Attorney to update and adopt the Policies and Procedures Manual.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Loxahatchee Groves, Florida'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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and is described below.

Finding: 2016-3 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 Town review the financial reporting process and make any changes required to facilitate the timely preparation of financial reports.

Management Response

Management will work to provide timely preparation and review for the audited financial reports.

Town of Loxahatchee Groves, Florida's Response to Findings

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

Purpose of this Report

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

Nowlen, Helt & Miner, 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 Honorable Mayor and Members of the Town Council
Town of Loxahatchee Groves, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Loxahatchee Groves, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated December 6, 2019. Our opinions on the governmental activities, the business-type 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 Town of Loxahatchee Groves, Florida, concerning transactions prior to March 18, 2019, which took place under substantially different management.

Auditor's Responsibility

Except as discussed in the preceding paragraph, 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 2016-1 and 2016-3 were applicable in the prior two years. Finding 2015-1 no longer applies.

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 Town of Loxahatchee Groves, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town of Loxahatchee Groves, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the fiscal year ended September 30, 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 Town of Loxahatchee Groves, Florida. It is management's responsibility to monitor the Town of Loxahatchee Groves, Florida'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 of the fiscal year end. 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 address in the communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

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

Single Audits

The Town expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the fiscal year ended September 30, 2018 and was not required to have a federal single audit or a state single audit.

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, Town Council, 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 & Mimer, P.A.

December 6, 2019
West Palm Beach, Florida



NOWLEN, HOLT & MINER, P.A.

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

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The Honorable Mayor and Members of the Town Council
Town of Loxahatchee Groves, Florida

We have examined the Town of Loxahatchee Groves, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2018. Management of the Town of Loxahatchee Groves, Florida is responsible for the Town of Loxahatchee Groves, Florida’s compliance with the specified requirements. Our responsibility is to express an opinion on the Town of Loxahatchee Groves, Florida’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 Town of Loxahatchee Groves, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town of Loxahatchee Groves, Florida 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 Town of Loxahatchee Groves, Florida’s compliance with the specified requirements.

In our opinion, the Town of Loxahatchee Groves, Florida complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 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 Town Commission, 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