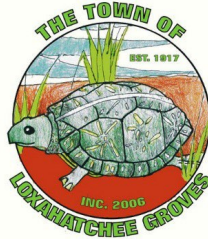


TOWN OF LOXAHATCHEE GROVES
TOWN HALL COUNCIL CHAMBERS
FINANCE ADVISORY AND AUDIT COMMITTEE AGENDA

March 21, 2022 – 6:00-8:00 P.M



Anita Kane (Seat 1)
Angelo Rossi (Seat 3)

Peter Savino (Seat 2)
Bruce Cunningham (Seat 4)

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

ADDITIONS, DELETIONS AND MODIFICATIONS & APPROVAL OF THE AGENDA

COMMENTS FROM THE PUBLIC:

REGULAR AGENDA

1. Discussion of the FY20 Audit Reports
2. Discussion of Audit Request for Proposal

COMMENTS FROM COMMITTEE MEMBERS

ADJOURNMENT

**TOWN OF LOXAHATCHEE GROVES,
FLORIDA**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2020

TOWN OF LOXAHATCHEE GROVES, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

PREPARED BY:
THE TOWN OF LOXAHATCHEE GROVES

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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 13, 2021

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, 2020, 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 3,661 for the year 2020 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 staggered 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. From incorporation through May 2019, the Town functioned under a “Contract Form of Government” with a private management company supplying employees, services and Town administration management under the legislative direction and policies of the Town Council. The Town Attorney also serves the Town pursuant to contract rather than as an employee.

On June 26, 2018, the Loxahatchee Groves Water Control District became a dependent special district of the Town with \$1,269,175 of fund balance transferred to the Roads and Drainage special revenue fund as of that date. The transition to a traditional full service, albeit small, local government model

is a multi-year all-encompassing endeavor including but not limited to a shift in service delivery models, revisiting Town standards, evaluating all contract services, establishing and updating policies & procedures, implementing new processes, and so on in an effort to better serve the community. The Town's continued focus is addressing deferred maintenance and infrastructure needs; developing and implementing a comprehensive Capital Improvements Program (CIP) and related funding mechanisms; automating and streamlining administrative functions; increasing transparency and accountability; and achieving financial sustainability.

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.

Balancing competing needs drives the budget process which is a continuous cycle of predicting both long and short-term needs. Budgetary needs are constantly prioritized with choices made within the framework of established policies and resources. Necessities like delivery of basic operational and maintenance services, personnel costs, insurance coverage, and debt service usually take initial priority whether provided in-house, inter-governmentally, and/or contractually. The Town strives to constantly address issues critical to serving our residents, maintaining or improving quality of life and preserving richness of community character.

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 its dependent district are approved by Council.

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 and in the surrounding western communities. The major economic influences in this area are the housing market, the regional job market, new construction, weather events, any future tax reform and/or other legislative mandates.

Positive signs about the national and local economies are evidenced by the continuing annual increases in average residential market values and influx of new residents the Town has experienced for the last number of years along with relatively stable employment in the area which remains higher than national averages. Also, the equestrian community and industry play a major role in the economy of the western communities as approximately two-thirds of Palm Beach County's equestrian industry is located in the region including horse farms, stables and a variety of equestrian venues.

However, perhaps the key factor in the local and national economy as we issue this report is the ultimate impact of COVID 19. In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic and on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress. The Town received approximately \$40,000 in FY 2019-20 pursuant to CARES as reimbursement for qualifying expenditures as a result of the pandemic.

On March 11, 2021, the American Recovery Plan Act (ARPA) State & Local Fiscal Recovery Funds (SLFRF) was signed into law to promote a response to the pandemic and economic recovery. Pursuant to ARPA, the Town will receive non-entitlement funding of approximately \$1.8 million in total over FY 2021-22 and FY 2022-23. Other than these funds, the Town cannot estimate the impact of COVID-19 on its future years' financial statements. Nonetheless, the resulting financial impact could be anticipated to have a material adverse impact on the Town's operations, financial position, and results of operations as we proceed into the future. The ultimate impact of COVID 19 continues to be unknown and will depend on the duration and severity of the pandemic—both highly uncertain and cannot be predicted with confidence.

For the fiscal year ending September 30, 2020 the Town Council adopted a rate of 3.0000 mills, the same rate as in the past two fiscal years, resulting in total tax levy of \$1,166,479 which is an increase of \$153,481 or 15% from 2019. The benefit of the continued increase is to begin “rebuilding” the Town and its critical infrastructure and to properly position the Town for the future by building reserves. This is critical as the Town's tax base is primarily residential, with considerable agricultural exemptions and little commercial property, and future property tax growth limited to the annual growth rate of per capita personal income, which is currently minimal, plus the value of new construction.

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

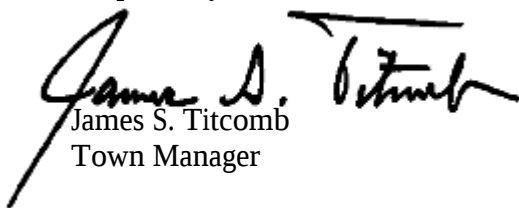
In accordance with Florida Statutes Section 218.39, the Town has engaged the firm of Nowlen, Holt & Miner, P.A., to perform the independent audit of the Town's financial statements for the year ended September 30, 2020. The Independent Certified Public Auditor's report is presented in the financial section 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 key independent financial professional 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.

In closing, it is an honor to serve the Town, its residents and landowners. The leadership and support of the Mayor and Town Council have made the accomplishments and anticipated successes noted in this report possible and provide a strong foundation for the Town's future.

Respectfully submitted,



James S. Titcomb
Town Manager

TOWN OF LOXAHATCHEE GROVES

List of Elected Town Officials

September 30, 2020

Council-Manager Form of Government

TOWN COUNCIL

Lisa El-Ramey, Mayor (Seat 3)

Marge Herzog, Vice Mayor (Seat 5)

Phillis Maniglia, Councilmember (Seat 1)

Laura Danowski, Councilmember (Seat 2)

Robert Shorr, Councilmember (Seat 4)

ADMINISTRATION

Town Manager, James S. Titcomb

Assistant Town Manager, Francine L. Ramaglia, CPA

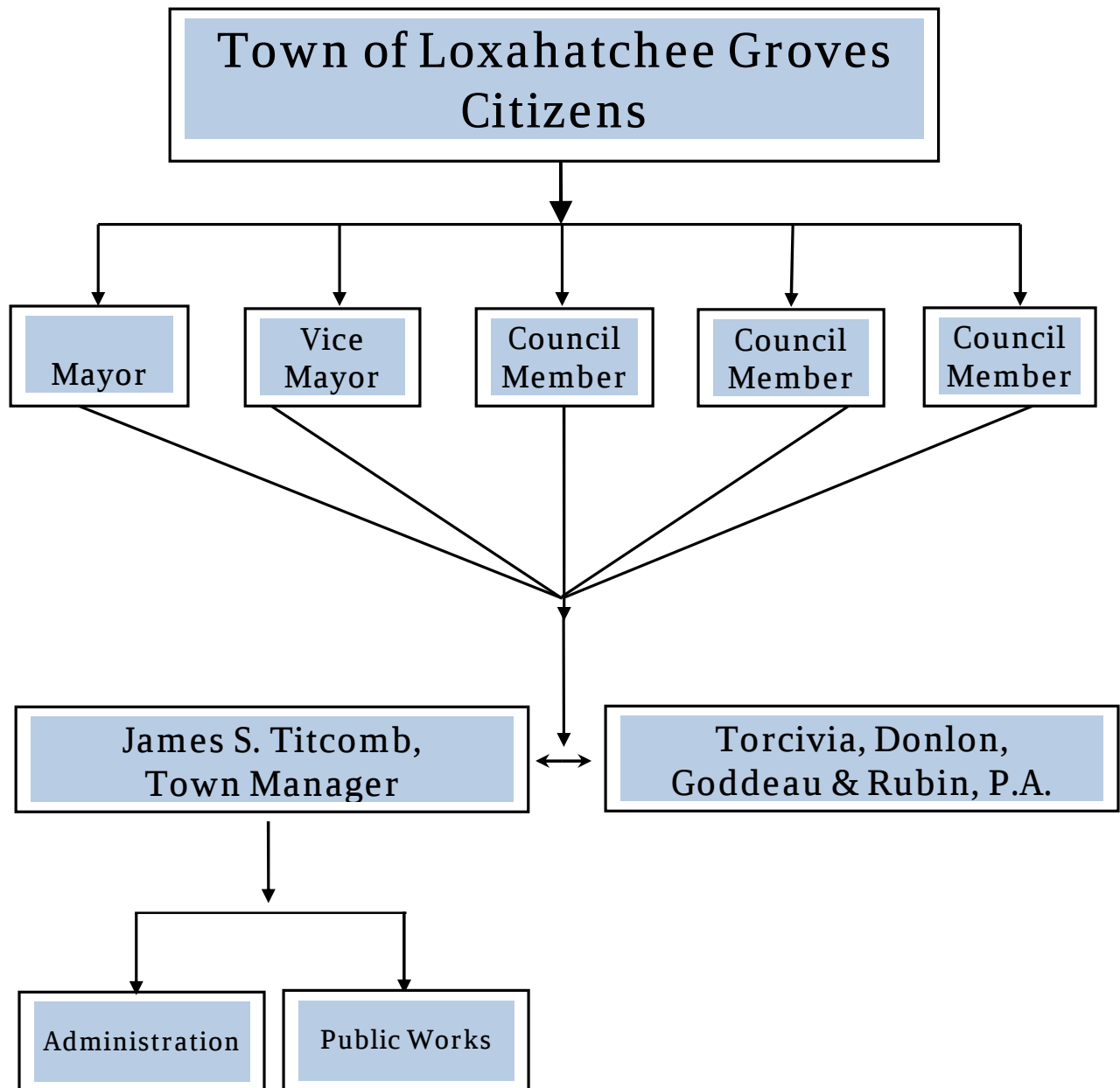
Town Attorney, R. Brian Shutt, Esq.

Town Clerk, Lakisha Q. Burch

Director of Public Works, Larry A. Peters, P.E.

Accounting Manager, Desiree Rice

Town of Loxahatchee Groves Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCAPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTT, CPA

INDEPENDENT AUDITOR'S REPORT

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

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

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, 2020, 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Loxahatchee Groves, Florida as of September 30, 2020, 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.

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 15, and budgetary comparison information on pages 59 through 63 and the pension schedules on pages 64 through 67 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 13, 2021, 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 & Miner, P.A.

West Palm Beach, Florida
December 13, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Management's Discussion and Analysis
September 30, 2020

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, 2020. 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

- Ø At September 30, 2020, the assets plus deferred outflows of the Town of Loxahatchee Groves exceeded its liabilities plus deferred inflows by \$8,173,488 of which \$4,793,434 was invested in capital assets and \$2,675,011 was restricted by law or agreements. The Town had \$705,043 (*unrestricted net position*) which may be used to meet the Town's ongoing obligations to citizens and creditors.
- Ø During the fiscal year 2020, net position increased by \$58,456 from current year operations.
- Ø At September 30, 2020, the Town of Loxahatchee Groves' General Fund reported an ending fund balance of \$1,059,426, an increase of \$263,293 as compared with the prior year. Of the total fund balance, 69% is available for spending at the government's discretion (*unassigned fund balance*). The unassigned fund balance represents 31% of total General Fund operating expenditures and transfers.

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 government 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 16 and 17 of this report.

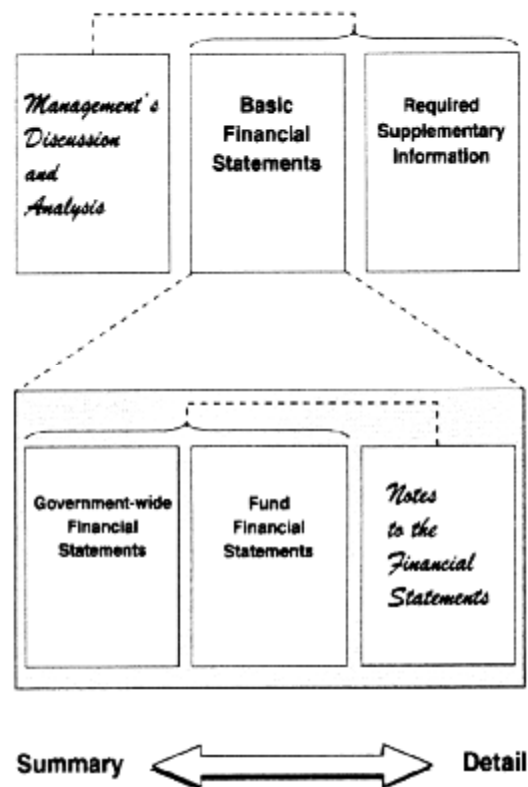
Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related 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 Roads and Drainage 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 Roads and Drainage Fund, the Transportation Fund, and the Local Option Sales Tax Fund. A budgetary comparison statement has been provided for the General Fund, the Roads and Drainage Fund, the Transportation Fund, and the Local Option Sales Tax Fund to demonstrate compliance with the budget.

Figure A-1
Required Components of
City's Annual Financial Report



The basic governmental fund financial statements can be found on pages 18 thru 23 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 24-26 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 27-58 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 \$8,044,181. Business-type activity liabilities exceeded assets by \$129,307. The Town-wide total net position was \$8,173,488 at the close of the fiscal year ended September 30, 2020. The Statement of Net Position is on page 16 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 \$4,793,434 or 58% of total net position at September 30, 2020. 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 \$2,675,011 or 33% represents resources that are subject to external restrictions on how they may be used. The unrestricted net position of \$705,043 or 9% 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	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 4,553,057	\$ 4,674,106	\$ 180,964	\$ 83,372	\$ 4,734,021	\$ 4,757,478
Capital assets	4,793,434	4,989,272	-	-	4,793,434	4,989,272
Total assets	9,346,491	9,663,378	180,964	83,372	9,527,455	9,746,750
Deferred outflows of resources	822,460	282,011	-	-	822,460	282,011
Liabilities:						
Long-term liabilities	1,130,611	1,186,906	-	-	1,130,611	1,186,906
Other liabilities	672,373	363,592	51,657	-	724,030	363,592
Total liabilities	1,802,984	1,550,498	51,657	-	1,854,641	1,550,498
Deferred inflows of resources	321,786	363,231	-	-	321,786	363,231
Net position:						
Net investment in capital assets	4,793,434	4,989,272	-	-	4,793,434	4,989,272
Restricted	2,675,011	2,481,866	-	-	2,675,011	2,481,866
Unrestricted	575,736	560,522	129,307	83,372	705,043	643,894
Total net position	\$ 8,044,181	\$ 8,031,660	\$ 129,307	\$ 83,372	\$ 8,173,488	\$ 8,115,032

Governmental Activities.

- Ø During the fiscal year 2020, net position remained consistent with the prior year increasing by \$12,521 from current year operations.

Business Activities.

- Ø The funding for the Town's solid waste operation is derived from an assessment placed up residential properties within the Town's jurisdiction.
- Ø The Town assesses approximately 1,500 residential units \$450 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, 2020 and 2019. 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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,736,377	\$ 1,703,751	\$ 645,523	\$ 642,315	\$ 2,381,900	\$ 2,346,066
Grants and contributions	90,741	92,897	103,893	-	194,634	92,897
General revenues:						
Property taxes	972,399	913,924	-	-	972,399	913,924
Local option sales tax	233,775	244,142	-	-	233,775	244,142
Franchise fees	321,674	321,215	-	-	321,674	321,215
Utility taxes	442,683	474,036	-	-	442,683	474,036
Intergovernmental	754,758	755,583	-	-	754,758	755,583
Investment/other income	50,641	94,792	-	-	50,641	94,792
Total revenues	4,603,048	4,600,340	749,416	642,315	5,352,464	5,242,655
Expenses:						
General Government	1,111,638	1,452,992	-	-	1,111,638	1,452,992
Public safety	1,002,044	622,412	-	-	1,002,044	622,412
Physical environment	2,449,872	1,417,732	-	-	2,449,872	1,417,732
Sanitation	-	-	703,481	550,288	703,481	550,288
Interest	26,973	33,024	-	-	26,973	33,024
Total expenses	4,590,527	3,526,160	703,481	550,288	5,294,008	4,076,448
Increase (decrease) in net position before transfers	12,521	1,074,180	45,935	92,027	58,456	1,166,207
Transfers:	-	-	-	-	-	-
Increase (decrease) in net position	12,521	1,074,180	45,935	92,027	58,456	1,166,207
Net position, beginning	8,031,660	6,957,480	83,372	(8,655)	8,115,032	6,948,825
Net position, ending	\$ 8,044,181	\$ 8,031,660	\$ 129,307	\$ 83,372	\$ 8,173,488	\$ 8,115,032

Governmental Activities.

Ø For fiscal year 2020, total revenues remained consistent with the prior year increasing by \$2,708.

Ø Total expenses increased by \$1,064,367 or 30% primarily due to increased investment in road maintenance activities, first full year of additional staff in public works, and increased development services activity (planning, zoning and code functions) which was also properly reclassified from General Government to Public Safety.

Business Activities.

- Ø Revenue earned by business-type activities is primarily generated by charges for services for the Town's solid waste collection and recycling services totaling \$645,523. Operating revenues remained consistent with the prior year increasing by \$3,208. The rates charged to residents remained the same or at \$450 per residential unit for the past two fiscal years despite contracted increases in hauler rates.
- Ø Expenses of business-type activities arise from the Town's solid waste collection and recycling services contract which totaled \$703,481 in fiscal year 2020. The increase of \$153,193 in total expense was the result of scheduled contractual rate increases.

Figure A-2
Town of Loxahatchee Groves
Revenues by Source – Governmental Activities
For the Fiscal Year Ended September 30, 2020

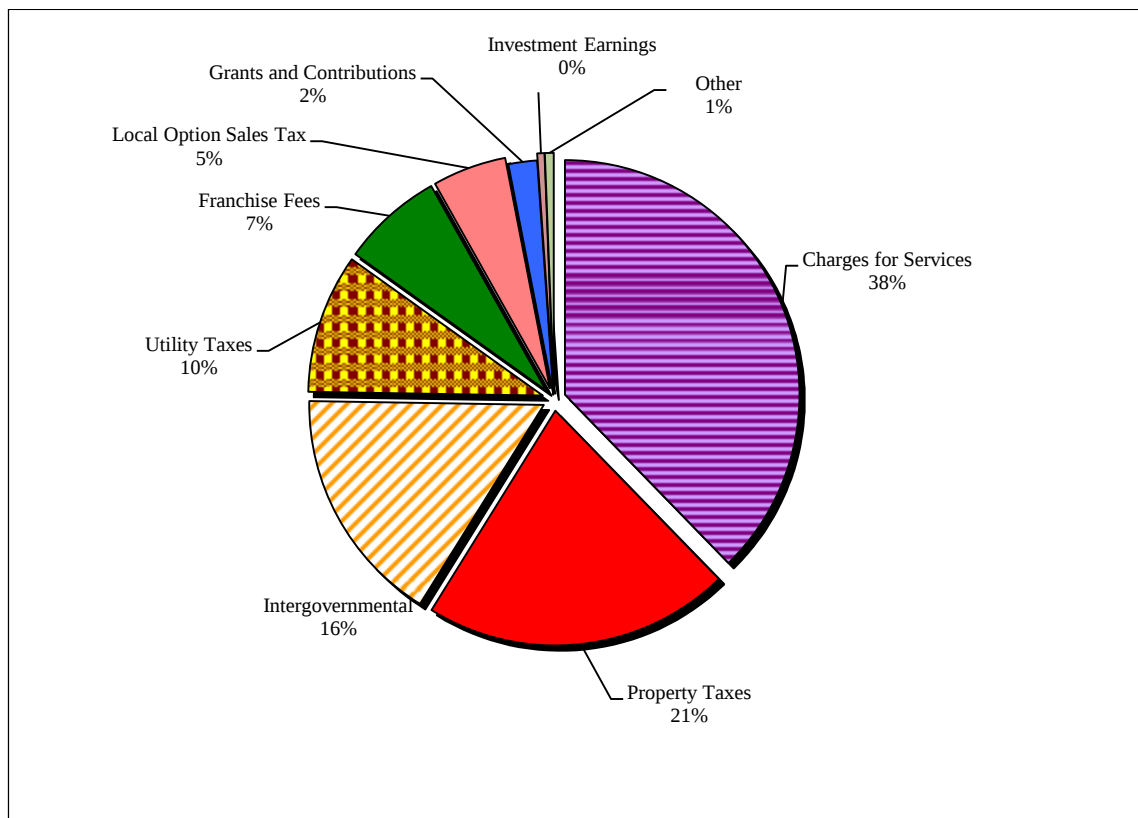
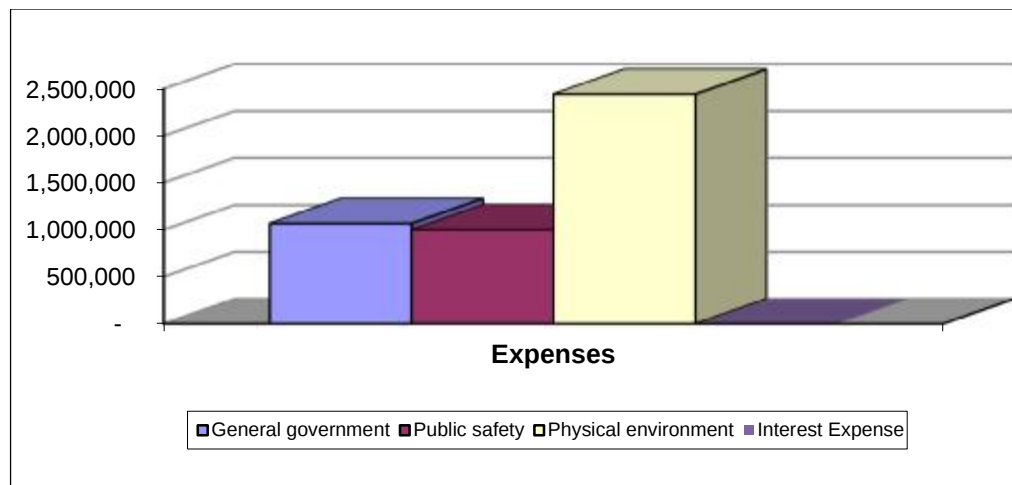


Figure A-3
Town of Loxahatchee Groves
Expenses – Governmental Activities
For the Fiscal Year Ended September 30, 2020



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The Town maintains five governmental funds; the General Fund, the Roads and Drainage 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 Roads and Drainage Fund, the Transportation Fund, and the Local Option Sales Tax Fund. The General Fund provides revenues and resources for basic governmental services. The Roads and Drainage 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 \$1,059,426, an increase of \$263,293 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, 2020 and 2019 is shown below:

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

	2020	2019	Change	% Change
Assets	<u>\$ 1,428,054</u>	<u>\$ 1,144,340</u>	<u>\$ 283,714</u>	25%
Liabilities	<u>\$ 298,322</u>	<u>\$ 315,273</u>	<u>\$ (16,951)</u>	-5%
Deferred inflows	<u>70,306</u>	<u>32,934</u>	<u>37,372</u>	113%
Fund balance				
Nonspendable fund balance	62,342	82,256	(19,914)	-23%
Restricted fund balance	213,635	75,635	138,000	184%
Assigned fund balance	53,803		53,803	100%
Unassigned fund balance	<u>729,646</u>	<u>638,242</u>	<u>91,404</u>	14%
Total fund balance	<u>1,059,426</u>	<u>796,133</u>	<u>263,293</u>	33%
Total liabilities, deferred inflows, and fund balance	<u>\$ 1,428,054</u>	<u>\$ 1,144,340</u>	<u>\$ 283,714</u>	25%

During the fiscal year 2020, the General Fund assets increased by \$283,714 or 25%. The increase is mainly due to increases in cash as a result of the current year's operations generating a positive budget variance. Liabilities decreased by \$16,951 or 5% mainly due to decreases in payables. Total fund balance increased by \$263,293 or 25% 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**

	2020	2019	Change	% Change
Revenues	\$ 2,564,535	\$ 2,526,049	\$ 38,486	2%
Expenditures	2,210,559	2,215,141	(4,582)	0%
Transfers out	<u>90,683</u>	<u>-</u>	<u>90,683</u>	N/A
Net change in fund balance	263,293	310,908	(47,615)	-15%
Fund balance, beginning	<u>796,133</u>	<u>485,225</u>	<u>310,908</u>	64%
Fund balance, ending	<u>\$ 1,059,426</u>	<u>\$ 796,133</u>	<u>\$ 263,293</u>	33%

The Town of Loxahatchee Groves General Fund revenues remained consistent with the prior year increasing by \$38,486 or 2%. Total expenditures also remained consistent with the prior year decreasing by \$4,582 or less than .2%.

General Fund

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 2020 budget was \$2.5 million as opposed to the \$2.2 million originally adopted budget. The actual revenues were greater than the final amended budgeted revenues by \$41,802 or 1.6% while spending was \$141,491 or 6% less than the final amended budget and, accordingly, reserves increased as intended.

Budget versus actual schedules are presented on page 59 for the General Fund.

Roads and Drainage Special Revenue Fund

The Loxahatchee Groves Water Control District became a dependent special district on June 26, 2018, and the operations have since been reported as the Roads and Drainage Special Revenue Fund. The actual revenues were greater than budgeted revenues by \$57,650 or 3.2% primarily due to collection of assessments. The Town amended the Roads and Drainage Fund expenditure budget. The final amended expenditure budget was \$2.5 million as opposed to the \$2 million originally adopted budget. The increase was funded by transfers from fund balance as from the Transportation Special Revenue Fund. Spending was \$311,195 or 12.4% less than the final amended budget and using \$171,155 of existing fund balances.

Budget versus actual schedules are presented on page 60 for the Roads and Drainage Special Revenue Fund.

Transportation Special Revenue Fund

The fund balance of the Transportation Special Revenue Fund decreased by \$36,158 which was due to increased investment in road maintenance and capital projects.

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 2020, the total funds received were \$237,020.

Capital Improvement Fund

The Capital Improvement Fund had an ending fund balance of \$784,277, which was an increase of \$124,404 due to delayed spending on road improvement projects. The Town Council also continues its efforts to identify and prioritize additional projects to be funded.

Capital Assets

As of September 30, 2020, the Town's capital assets amounted to \$4,793,434 (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 for which the balance was \$242,375 at September 30, 2020. 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

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.

During 2007 the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments. 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 compound annual growth rate in the per capita property taxes levied. The law allows local governments to adopt a higher millage rate based on the following approval of the governing body: 1) a majority vote to adopt a rate equal to the prior year rolled-back millage rate, plus an adjustment for growth in per capita personal income; 2) a two-thirds vote to adopt a rate equal to the prior year adjusted millage rate plus 10%; or 3) any millage rate approved by unanimous vote or referendum. Future property tax growth is limited to the annual growth rate of per capita personal income, which is currently 3% to 4%, plus the value of new construction.

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

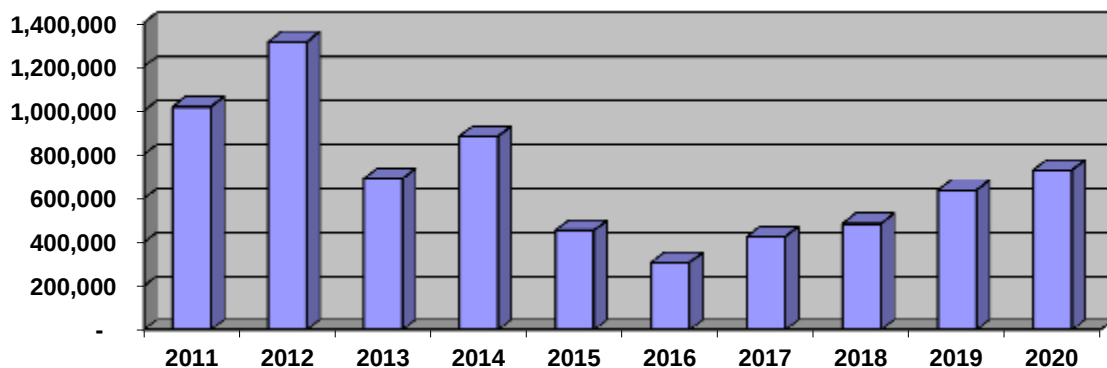
property. Amendment 1 became effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which became effective on January 1, 2009.

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.

- Ø In setting its fiscal 2020-2021 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 2020. Accordingly, the Town's reserves will secure the Town's income flow for the upcoming fiscal years.

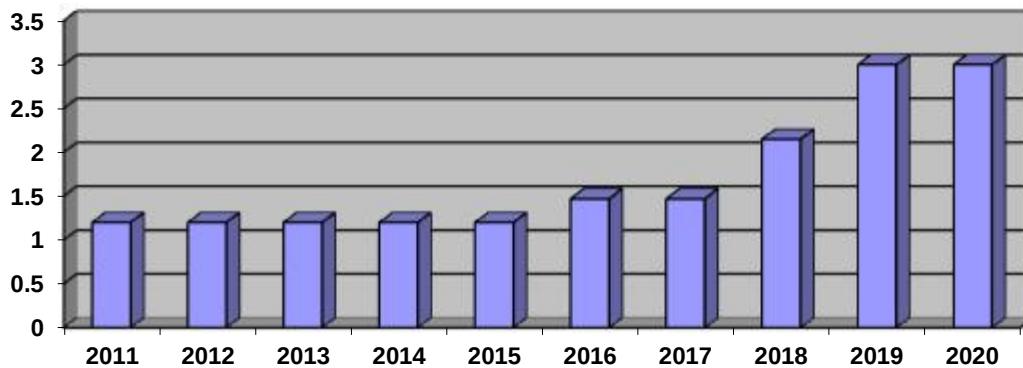
Revenues in the FY 2021 adopted General Fund budget are \$2.5 million, consistent with the FY 2020 actual revenues of \$2.56 million. Fiscal year 2021 budgeted expenditures are expected to increase in the same manner.

**General Fund Unassigned Surplus
For the Fiscal Years ended September 30, 2011-2020**



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, 2011-2020**



The operating millage rate for tax year 2020, which is collected in fiscal year 2021, is 3.0000 or \$3.00 per thousand dollars of taxable value. The operating millage rate remained the same as the prior fiscal year and resulted in a total property tax budget of \$962,233, an increase of \$54,515, or 6.0% from the property tax budget for the prior year due to increased property values. Historically, the rollback rate has always been lower than the existing rate. The Roads & Drainage Assessment and the Solid Waste Assessment rates have also remained unchanged for the past three fiscal years at \$200 per unit and \$450 per unit, respectively.

While property taxes are important, they represent only 21% of governmental funds revenue, excluding other financing sources and uses. Another 38% comes from local option taxes, utility service taxes, communication services taxes, franchise fees and state revenue sharing. Local business tax receipts, permits and fees, charges for services, fines and forfeitures, investment income and miscellaneous income total 39%, and grants total another 2%. To meet the demand of its residents as well as to comply with regulatory requirements, the Town leverages all of its resources and determines the need for operational changes and/or fee increases accordingly.

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. Additional information regarding the adoption of the annual budget can be found on page of this report.

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.

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BASIC FINANCIAL STATEMENTS

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Net Position
September 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,868,986	\$ 87,676	\$ 2,956,662
Investments	968,654		968,654
Receivables			
Planning and zoning	96,449		96,449
Franchise and utility taxes	85,806		85,806
Due from other governments	128,147	93,288	221,435
Prepays	162,640		162,640
Debt assessments receivable	242,375		242,375
Capital assets			
Non-depreciable	1,779,628		1,779,628
Depreciable (net of depreciation)	3,013,806		3,013,806
Total assets	9,346,491	180,964	9,527,455
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	822,460		822,460
LIABILITIES			
Accounts payable	333,374	51,657	385,031
Due to other governments	43,029		43,029
Deposits for planning and zoning	27,185		27,185
Accrued interest payable	1,236		1,236
Noncurrent liabilities			
Due within one year	267,549		267,549
Due in more than one year	1,130,611		1,130,611
Total liabilities	1,802,984	51,657	1,854,641
DEFERRED INFLOWS OF RESOURCES			
Pension related items	282,221		282,221
Unearned revenues	39,565		39,565
Total deferred inflows of resources	321,786		321,786
NET POSITION			
Net position			
Net investment in capital assets	4,793,434		4,793,434
Restricted for:			
Debt service	113,351		113,351
Road resurfacing	28,444		28,444
Tree mitigation	153,635		153,635
Infrastructure	861,528		861,528
Transportation	1,304,226		1,304,226
Roads and drainage	213,827		213,827
Unrestricted	575,736	129,307	705,043
Total net position	\$ 8,044,181	\$ 129,307	\$ 8,173,488

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Activities
For the Year Ended September 30, 2020

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	\$ 1,111,638	\$ 181,640	\$ 70,741	\$	\$ (859,257)	\$	\$ (859,257)
Public safety	1,002,044				(1,002,044)		(1,002,044)
Physical environment	2,449,872	1,518,688		20,000	(911,184)		(911,184)
Interest expense	26,973	36,049			9,076		9,076
Total governmental activities	4,590,527	1,736,377	70,741	20,000	(2,763,409)		(2,763,409)
Business-type activities							
Sanitation	703,481	645,523	103,893			45,935	45,935
Total	<u>\$ 5,294,008</u>	<u>\$ 2,381,900</u>	<u>\$ 174,634</u>	<u>\$ 20,000</u>	(2,763,409)	45,935	(2,717,474)
General revenues							
Property taxes					972,399		972,399
Local option sales tax					233,775		233,775
Franchise fees					321,674		321,674
Utility taxes					442,683		442,683
Intergovernmental (unrestricted)					754,758		754,758
Miscellaneous revenue					27,908		27,908
Interest					22,733		22,733
Total general revenues and transfers					2,775,930		2,775,930
Change in net position					12,521	45,935	58,456
Net position, beginning of year					8,031,660	83,372	8,115,032
Net position, end of year					<u>\$ 8,044,181</u>	<u>\$ 129,307</u>	<u>\$ 8,173,488</u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2020

	Major Funds			
	General	Roads and Drainage	Transportation	Local Option Sales Tax
ASSETS				
Cash and cash equivalents	\$ 966,282	\$ 623,226	\$ 444,918	\$ 11,385
Investments	140,409			828,245
Receivables				
Planning and zoning	96,449			
Franchise and utility taxes	85,806			
Due from other governments	76,766		29,483	21,898
Prepaid items	62,342	100,298		
Debt assessments receivable		242,375		
Total assets	<u>\$ 1,428,054</u>	<u>\$ 965,899</u>	<u>\$ 474,401</u>	<u>\$ 861,528</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 228,108	\$ 66,368	\$	
Due to other governments	43,029			
Deposits for planning and zoning	27,185			
Total liabilities	<u>298,322</u>	<u>66,368</u>		
Deferred inflows of resources				
Unavailable revenues	30,741	242,375		
Unearned revenue	39,565			
Total deferred inflows of resources	<u>70,306</u>	<u>242,375</u>		
Fund balances				
Nonspendable:				
Prepaid items	62,342	100,298		
Restricted for:				
Debt service		114,587		
Road resurfacing		28,444		
Tree mitigation	153,635			
Infrastructure				861,528
Transportation	60,000	200,000	474,401	
Roads and drainage		213,827		
Assigned for capital projects				
Assigned for subsequent year's budget	53,803			
Unassigned	729,646			
Total fund balances	<u>1,059,426</u>	<u>657,156</u>	<u>474,401</u>	<u>861,528</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,428,054</u>	<u>\$ 965,899</u>	<u>\$ 474,401</u>	<u>\$ 861,528</u>

Capital Improvement	Total
\$ 823,175	\$ 2,868,986
	968,654
	96,449
	85,806
	128,147
	162,640
	242,375
<u>\$ 823,175</u>	<u>\$ 4,553,057</u>
\$ 38,898	\$ 333,374
	43,029
	27,185
<u>38,898</u>	<u>403,588</u>
	273,116
	39,565
	<u>312,681</u>
	162,640
	114,587
	28,444
	153,635
	861,528
569,825	1,304,226
	213,827
214,452	214,452
	53,803
	729,646
<u>784,277</u>	<u>3,836,788</u>
<u>\$ 823,175</u>	<u>\$ 4,553,057</u>

See notes to the financial statements

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TOWN OF LOXAHATCHEE GROVES
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Position
September 30, 2020

Fund balances total governmental funds	\$ 3,836,788
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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	\$ 8,786,396	
Less accumulated depreciation	<u>(3,992,962)</u>	4,793,434

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

Unavailable revenue	273,116
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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	(1,072,696)	
Compensated absences	(83,089)	
Note payable	(242,375)	
Accrued interest on long-term debt	<u>(1,236)</u>	(1,399,396)

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	822,460	
Pension related deferred inflows	<u>(282,221)</u>	<u>540,239</u>

Net position of governmental activities	<u><u>\$ 8,044,181</u></u>
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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, 2020

	Major Funds			
	General	Roads and Drainage	Transportation	Local Option Sales Tax
Revenues				
Property taxes	\$ 972,399	\$	\$	\$
Local option sales tax				233,775
Permits and franchise fees	350,270			
Utility service taxes	442,683			
Intergovernmental revenues	441,521		363,842	
Charges for services	322,544			
Maintenance assessments		1,518,688		
Debt assessments		307,049		
Fines and forfeitures	500			
Miscellaneous revenue	27,908	20,000		
Interest	6,710	12,778		3,245
Total revenues	<u>2,564,535</u>	<u>1,858,515</u>	<u>363,842</u>	<u>237,020</u>
Expenditures				
Current				
General government	1,208,515			
Public safety	1,002,044			
Physical environment		1,472,757		
Debt service				
Principal		611,000		
Interest		30,089		
Other debt service costs		1,800		
Capital outlay		114,024		
Total expenditures	<u>2,210,559</u>	<u>2,229,670</u>		
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>353,976</u>	<u>(371,155)</u>	<u>363,842</u>	<u>237,020</u>
Other financing sources				
Transfers in		200,000		
Transfers out	<u>(90,683)</u>	<u></u>	<u>(400,000)</u>	
Total other financing sources	<u>(90,683)</u>	<u>200,000</u>	<u>(400,000)</u>	
Net change in fund balances	263,293	(171,155)	(36,158)	237,020
Fund balances, beginning of year	<u>796,133</u>	<u>828,311</u>	<u>510,559</u>	<u>624,508</u>
Fund balances, end of year	<u>\$ 1,059,426</u>	<u>\$ 657,156</u>	<u>\$ 474,401</u>	<u>\$ 861,528</u>

<u>Capital Improvement</u>	<u>Total</u>
\$	\$ 972,399
	233,775
	350,270
	442,683
	805,363
	322,544
	1,518,688
	307,049
	500
	47,908
	22,733
	<u>5,023,912</u>
	1,208,515
	1,002,044
	1,472,757
	611,000
	30,089
	1,800
<u>166,279</u>	<u>280,303</u>
<u>166,279</u>	<u>4,606,508</u>
<u>(166,279)</u>	<u>417,404</u>
290,683	490,683
<u>290,683</u>	<u>(490,683)</u>
124,404	417,404
<u>659,873</u>	<u>3,419,384</u>
<u>\$ 784,277</u>	<u>\$ 3,836,788</u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of the Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2020

Net change in fund balances - total governmental funds \$ 417,404

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	\$ 279,453	
Less: current year depreciation	<u>(475,291)</u>	(195,838)

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

Grant revenues reported in current year	30,741	
Grant revenues reported in prior year	(10,605)	
Assessments reported in prior year	<u>(611,000)</u>	(590,864)

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	611,000
----------------------------	---------

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	3,116	
Change in net pension liability and related deferred amounts	(159,116)	
Change in long-term compensated absences	<u>(73,181)</u>	<u>(229,181)</u>

Change in net position	<u>\$ 12,521</u>
------------------------	------------------

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Statement of Net Position

Proprietary Fund

September 30, 2020

	<u>Sanitation Fund</u>
ASSETS	
Cash and cash equivalents	\$ 87,676
Due from other governments	93,288
Total assets	<u>180,964</u>
LIABILITIES AND NET POSITION	
Liabilities	
Accounts payable	<u>51,657</u>
Total liabilities	<u>51,657</u>
Net Position	
Unrestricted	<u><u>\$ 129,307</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, 2020

	Sanitation Fund
Operating revenues	
Charges for services	<u>\$ 645,523</u>
Operating expenses	
Solid waste contractor	694,596
Other expenses	<u>8,885</u>
Total operating expenses	<u>703,481</u>
Operating income	(57,958)
Nonoperating revenues	
Grant income	<u>103,893</u>
Change in net position	45,935
Net position, beginning of year	<u>83,372</u>
Net position, end of year	<u><u>\$ 129,307</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, 2020

	Sanitation Fund
	<u> </u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 645,523
Payments to suppliers	(651,824)
Operating grants	48,574
Net cash from by operating activities	<u>42,273</u>
 Net increase in cash and cash equivalents	 42,273
 Cash and cash equivalents, beginning of year	 <u>45,403</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 87,676</u></u>
 Cash flows from operating activities	
 Operating loss	 \$ (57,958)
Operating grants	103,893
Adjustments to reconcile operating income to net cash provided by operating activities:	
 Increase in due from other governments	 (55,319)
Increase in accounts payable	51,657
	<u> </u>
Net cash used by operating activities	<u><u>\$ 42,273</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, 2020

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 the Loxahatchee Groves Water Control District of Palm Beach County, Florida (District) is the only legally separate entities to consider as a 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. The District does not issue separate financial statements and is reported as the Roads and Drainage Fund, a special revenue fund type.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Financial Statements

September 30, 2020

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, 2020

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 Roads and Drainage 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, 2020

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, 2020

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 Town'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 Town 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, 2020

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 Roads and Drainage 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, 2020

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, 2020

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. 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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Financial Statements

September 30, 2020

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

Budgetary Data (Continued)

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, 2020, there were two supplemental appropriations.

In the General Fund, the planning and zoning department was over budget by \$14,225.

At September 30, 2020, there were \$53,803 of encumbrances in the General Fund, \$96,638 in the Roads and Drainage Fund, and \$63,509 in the Capital Improvement Fund.

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, 2020, was 3.0 mills (\$3.00 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.

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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Financial Statements

September 30, 2020

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

Property Taxes (Continued)

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, 2020, the carrying amounts of the Town's deposits were \$2,956,362 and the bank balances totaled \$3,052,370. 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 \$3,052,370 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.

The Florida Municipal Investment Trust (FMIVT) was created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds and to reinvest such funds in one or more investment portfolios under the direction and daily supervision of an investment advisor. The Florida League of Cities serves as the administrator, investment manager and secretary-treasurer of the Trust.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Financial Statements

September 30, 2020

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

The FMIvT is a Local Government Investment Pool and is considered an external investment pool for GASB reporting purposes. The Town reports its investment in the FMIvT at fair value in accordance with the GASB 72 fair value hierarchy.

GASB 72 requires governments to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires governments to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. GASB 72 establishes a three-tier fair value hierarchy. The hierarchy is based on valuation inputs used to measure the fair value as follows:

- Level 1: Inputs are directly observable, quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are other than quoted prices included within Level 1 that are for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.
- Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

As of September 30, 2020, the Town had \$968,654 invested in the FMIvT 0-2 Year High Quality Bond Fund, which was categorized as Level 2 and was valued using a matrix pricing technique. Matrix pricing values securities based on the securities relationship to benchmark quoted prices. The weighted average maturity was 0.7 years and the fund was rated AAAs/S1 by Fitch.

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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Financial Statements

September 30, 2020

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk (Continued)

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, 2020, was as follows:

Primary Government Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 529,034	\$	\$	\$ 529,034
Construction in progress	1,084,315	166,279		1,250,594
Capital assets being depreciated:				
Buildings	563,256			563,256
Equipment	1,046,760	113,174		1,159,934
Infrastructure	5,283,578			5,283,578
Total at historical cost:	8,506,943	279,453		8,786,396
Less accumulated depreciation for:				
Buildings	(117,042)	(14,581)		(131,623)
Equipment	(747,587)	(61,869)		(809,456)
Infrastructure	(2,653,042)	(398,841)		(3,051,883)
Total accumulated depreciation	(3,517,671)	(475,291)		(3,992,962)
Governmental activities capital assets, net	\$ 4,989,272	\$(195,838)	\$	\$ 4,793,434

Depreciation expense of \$16,162 was charged to the general government function and \$459,129 was charged to the physical environment functions of the Town.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2020

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 \$28,444 at September 30, 2020 consists of funds 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").

In the current fiscal year the Town used the funds to prepay \$340,000 of the Note.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Financial Statements

September 30, 2020

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.

	October 1, 2019	Additions	Deletions	September 30, 2020	Current
Note payable	\$ 853,375	\$	\$ (611,000)	\$ 242,375	\$ 242,375
Compensated absences(1)	9,908	94,677	(21,496)	83,089	25,174
Net pension liability	323,623	749,073		1,072,696	
	<u>\$1,186,906</u>	<u>\$ 843,750</u>	<u>\$ (632,496)</u>	<u>\$ 1,398,160</u>	<u>\$ 267,549</u>

Compensated absences and net pension liabilities are expected to be paid out of the General and Roads and Drainage funds.

- (1) The increase in compensated absences is due to the temporary suspension of the amount allowed to be carried forward due to the COVID 19 emergency declared by the Town.

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
2021	<u>\$ 242,375</u>	<u>\$ 11,885</u>	<u>\$ 254,260</u>

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

At September 30, 2020, the amount of OPEB liabilities of the Town were not significant, therefore no liability or expense was recorded.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2020

NOTE 7 – 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, 2020

NOTE 7 – 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, 2020

NOTE 7 – 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, 2020

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Contributions (Continued)

The employer contribution rates by job class For the fiscal year ended September 30, 2020 were as follows:

Class	10/1/19 through 6/30/20	07/01/20 through 09/30/20
Regular Class	8.47%	10.00%
Senior Management Service Class	25.41%	27.29%
Special Risk Class	25.48%	24.45%
DROP	14.60%	16.98%

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, 2020, the Town made contributions of \$31,920 to the Pension Plan and the Town's employees made contributions of \$6,250, for total contributions of \$38,170.

Pension Liabilities and Pension Expense

At September 30, 2020, the Town reported a liability of \$830,747 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Town's proportionate share of the net pension liability was based on the Town's 2019-2020 plan year contributions relative to the 2019-2020 plan year contributions of all participating members. At June 30, 2020, the Town's proportionate share was 0.001916748 percent, which was an increase of 0.001277457 percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the Town recognized pension expense of \$215,953 related to the Plan.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2020

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Deferred Outflows and Inflows of Resources Related to Pensions

The Town 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	\$ 31,794	\$ -
Change of assumptions	150,392	
Net difference between projected and actual earnings on Pension Plan investments	49,463	-
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	363,025	166,082
Pension Plan contributions subsequent to the measurement date	20,257	
Total	<u>\$ 614,931</u>	<u>\$ 166,082</u>

The deferred outflows of resources totaling \$20,257 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, 2021. 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
2021	\$ 83,178
2022	110,034
2023	101,434
2024	80,111
2025	53,835
Thereafter	-
	<u>\$ 428,592</u>

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Financial Statements

September 30, 2020

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2020
Measurement date	June 30, 2020
Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation
Mortality	PUB2010 base table varies by member category and sex Projected generationally with Scale MP-2018
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2020, valuation were based on the certain results of an actuarial experience study of the FRS for the period July 1, 2013 through June 30, 2018.

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%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.2%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.0%</u>			
Assumed Inflation - Mean			2.40%	1.70%

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

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2020

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. 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 6.90%, 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 (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
	<u> </u>	<u> </u>	<u> </u>
Proportionate share of the net pension liability	\$ 1,326,563	\$ 830,747	\$ 416,639
	<u> </u>	<u> </u>	<u> </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 September 30, 2020, the Town had \$3,572 payable for outstanding contributions to the Pension Plan for the fiscal year ended September 30, 2020.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2020

NOTE 7 – 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, 2020, 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, 2020, the HIS contribution was 1.66%. The Town 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 contributions to the HIS Plan totaled \$11,377 for the fiscal year ended September 30, 2020.

Pension Liabilities and Pension Expense

At September 30, 2020, the Town reported a liability of \$241,949 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2020

NOTE 7 – 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 2019-2020 plan year contributions relative to the 2019-2020 plan year contributions of all participating members. At June 30, 2020, the Town's proportionate share was 0.001981587 percent, which was a decrease of 0.001056929 percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the Town recognized pension expense of \$28,259.

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	\$ 9,897	\$ 187
Change of assumptions	26,016	14,068
Net difference between projected and actual earnings on Pension Plan investments	193	
Change in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	168,396	101,884
Pension Plan contributions subsequent to the measurement date	3,027	
Total	<u>\$ 207,529</u>	<u>\$ 116,139</u>

The deferred outflows of resources totaling \$3,027 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, 2021.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2020

NOTE 7 – 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:

Fiscal Year Ending September 30:	Amount
2020	\$ 14,849
2021	13,342
2022	9,789
2023	11,938
2024	16,661
Thereafter	21,784
	<u>\$ 88,363</u>

Actuarial Assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2020
Measurement date	June 30, 2020
Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.21%
Long-term expected rate of return	N/A
Mortality	Generational PUB-2020 with Projection Scale MP-2018
Actuarial cost method	Individual Entry Age

For the July 1, 2020 valuation date, the inflation rate changed from 2.6% to 2.4%, the municipal bond rate changed from 3.5% to 2.21%, and the mortality assumptions changed from General RP-2000 with projected scale BB to Generational PUB-2020 with Projection Scale MP-2018.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2020

NOTE 7 – FLORIDA RETIREMENT SYSTEM (Continued)

Retiree Health Insurance Subsidy (HIS) Program (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 2.21%, which decreased from the discount rate of 3.50% as of June 30, 2019. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date.

Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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 2.21%, 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 (1.21%) or one percentage point higher (3.21%) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Proportionate share of the net pension liability	<u>\$ 279,682</u>	<u>\$ 241,949</u>	<u>\$ 211,064</u>

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, 2020, the Town had \$940 payable for outstanding contributions to the HIS Plan for the fiscal year ended September 30, 2020.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2020

NOTE 7 – 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, 2020.

Description	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	\$ 3,927,603	\$ 249,444	\$ 4,177,047
Proportionate share of plan fiduciary net position	3,096,856	7,495	3,104,351
Proportionate share of net pension liability	830,747	241,949	1,072,696
Proportionate share of deferred outflows of resources	614,931	207,529	822,460
Proportionate share of deferred inflows of resources	166,082	116,139	282,221
Pension expense	215,933	28,259	244,192

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. Town 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, 2020

NOTE 7 – 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 0.06 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 Town's employees for the fiscal year ended September 30, 2020, are as follows:

Class	10/1/19 through 6/30/20	07/01/20 through 09/30/20
Regular Class	8.47%	10.00%
Senior Management Service Class	25.41%	27.29%

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, 2020, 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 Town.

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, 2020

NOTE 7 – 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 Town's Investment Plan pension expense totaled \$51,557 for the fiscal year ended September 30, 2020.

NOTE 8 - 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.

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 9 - COMMITMENTS AND CONTINGENCIES

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, 2020

NOTE 9 - 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, 2020. The second amendment was approved September 27, 2019 for an additional twelve months at the same amount. The third amendment was approved September 8, 2020 for an additional twelve months at the same amount. The fourth amendment was approved August 8, 2021 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, 2020, the MSTU millage rate was 3.4581 mills.

Solid Waste and Recycling Collection Franchise Agreement

In September 2019, the contract for waste and recycling collection services was awarded to Coastal Waste & Recycling of Palm Beach County, LLC effective October 1, 2019 through December 31, 2026. There are two renewal options in this agreement each for an additional two-year period. The contract also grants the contractor the exclusive right to provide service directly to commercial operations. The contract provides for the ability to adjust rates; accordingly, commercial rates were increased to market values based on local rates for commercial solid waste services in neighboring municipalities effective October 1, 2021 resulting in a corresponding decrease in residential rates to \$425 per unit effective January 1, 2022.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2020

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

Code Enforcement and Compliance Contract

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 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.

Lines of Credit

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. There have been no draws on the line of credit.

On December 10, 2020, the Town entered into a \$500,000 Emergency Revolving Line of Credit with Bank United, at a variable interest rate equal to Prime Rate, but not less than 3.25% 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. There have been no draws on the line of credit.

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 13, 2021.

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 13, 2021

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2020

NOTE 10 – SUBSEQUENT EVENTS

COVID 19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result of worldwide reporting of COVID-19 infections, certain national, state, and local governmental authorities have issued stay-at-home orders, proclamations and/or directives aimed at minimizing the spread of COVID-19.

Additionally, more restrictive proclamations and/or directives may be issued in the future. As a result, certain internal operations, communications and administrative operations of the Town have been disrupted. In addition to implementing protective guidelines and protocols, the Town considered and implemented preventative and protection measures recommended by the Centers for Disease Control and Prevention (CDC) aimed at providing a safe environment for Town personnel during the course of the COVID-19 pandemic.

The ultimate impact of the COVID-19 pandemic on the Town's operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that other governments or agencies may direct, which may result in an extended period of operational disruption. Any resulting financial impact cannot be reasonably estimated at this time but could be anticipated to have a material adverse impact on the Town's operations, financial position, and results of operations for fiscal year 2021.

On March 11, 2021, the American Recovery Plan Act (ARPA) State & Local Fiscal Recovery Funds (SLFRF) was signed into law to promote a response to the pandemic and economic recovery. Pursuant to ARPA, the Town will receive non-entitlement funding of approximately \$1.8 million in total over FY 2021-22 and FY 2022-23

Road Projects

The Town entered into a roadway paving and resurfacing contract with Hardrives of Delray, Inc. effective April 20, 2021 through September 30, 2022 including most of the Town's lettered road grid as well as road projects previously approved by referendum. The total estimated spending for the road program under the contract is estimated at approximately \$2.9 million of which approximately \$1.2 million is funded by Surtax Funds collected to date and those anticipated through FY 2022.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2020

NOTE 10 – SUBSEQUENT EVENTS (Continued)

Building and Code Services

The Town entered into a contract with SAFEbuilt effective August 1, 2021 to provide “turnkey” building and code services, replacing the interlocal agreement with Palm Beach County for building permitting and inspections as of January 3, 2022. In order for the Town to establish its own permitting and inspection’s function, the Town adopted the Florida Building Code as well as local amendments allowed by Section 553.73(4)(a), Florida Statutes. The local amendments included in the ordinance are generally those adopted by Palm Beach County, along with inclusion by reference of certain Town codes significant to the building function such as Agricultural Uses, Floodplain Management, Tree Mitigation and Land Clearing. Concurrent with adoption of the building code, the Town also adjusted and amended its schedule of rates, fees and charges for planning, zoning, permitting, code enforcement and other services to encompass all services provided by the Town, including those previously provided by the County. The contract with SAFEbuilt provides for payment to be made to the contractor for permitting services based on 90% of revenues while code services are at an hourly rates of \$75 per hour for annualized estimated net total cost of approximately \$133,000 in the first year.

NOTE 11 – 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 January 2017 the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the fiscal year ending September 30, 2021.

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, 2022.

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, 2020

	Budget Amounts		Actual	
	Original	Final Revised	Amounts	Variance
Revenues				
Property taxes	\$ 962,233	\$ 962,233	\$ 972,399	\$ 10,166
Permits and franchise fees	354,500	354,500	350,270	(4,230)
Utility service taxes	387,000	402,000	442,683	40,683
Intergovernmental revenues	394,500	421,500	441,521	20,021
Charges for services	46,500	276,500	322,544	46,044
Fines and forfeitures	16,000	16,000	500	(15,500)
Miscellaneous revenue	20,000	85,000	27,908	(57,092)
Interest	5,000	5,000	6,710	1,710
Total revenues	2,185,733	2,522,733	2,564,535	41,802
Expenditures				
General government				
Town council	102,950	148,950	144,746	4,204
Town manager	610,000	695,500	646,444	49,056
Financial services	90,600	102,200	63,317	38,883
Legal services	125,000	166,500	165,561	939
Communications and Technology	131,000	77,200	77,197	3
Other general government	128,500	152,500	111,250	41,250
Total general government	1,188,050	1,342,850	1,208,515	134,335
Public safety				
Police	624,000	622,200	622,200	
Planning and zoning	165,000	322,000	336,225	(14,225)
Code enforcement	118,000	65,000	43,619	21,381
Total public safety	907,000	1,009,200	1,002,044	7,156
Total expenditures	2,095,050	2,352,050	2,210,559	141,491
Excess (deficiency) of revenues over (under) expenditures	90,683	170,683	353,976	183,293
Other financing sources				
Transfers out	(90,683)	(170,683)	(90,683)	80,000
Total other financing sources	(90,683)	(170,683)	(90,683)	80,000
Net change in fund balance	\$	\$	263,293	\$ 263,293
Fund balance, beginning of year			796,133	
Fund balance, end of year			\$ 1,059,426	

TOWN OF LOXAHATCHEE GROVES
Required Supplementary Information (RSI)
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Roads and Drainage Fund
For Year Ended September 30, 2020

	Budget Amounts		Actual	
	Original	Final Revised	Amounts	Variance
Revenues				
Maintenance assessments	\$ 1,483,165	\$ 1,483,165	\$ 1,518,688	\$ 35,523
Debt assessments	310,000	310,000	307,049	(2,951)
Miscellaneous revenue	2,000	2,000	20,000	18,000
Interest	5,700	5,700	12,778	7,078
Total revenues	<u>1,800,865</u>	<u>1,800,865</u>	<u>1,858,515</u>	<u>57,650</u>
Expenditures				
Current				
Physical environment	1,544,865	1,744,865	1,472,757	272,108
Debt service	306,000	646,000	642,889	3,111
Capital outlay	150,000	150,000	114,024	35,976
Total expenditures	<u>2,000,865</u>	<u>2,540,865</u>	<u>2,229,670</u>	<u>311,195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200,000)</u>	<u>(740,000)</u>	<u>(371,155)</u>	<u>368,845</u>
Other financing sources				
Transfers in	200,000	400,000	200,000	(200,000)
Transfer from fund balance		340,000		(340,000)
Total other financing sources	<u>200,000</u>	<u>740,000</u>	<u>200,000</u>	<u>(540,000)</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	(171,155)	<u>\$ (171,155)</u>
Fund balance, beginning of year			<u>828,311</u>	
Fund balance, end of year			<u>\$ 657,156</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, 2020

	Budget Amounts		Actual	
	Original	Final Revised	Amounts	Variance
Revenues				
Intergovernmental revenues	\$ 410,000	\$ 410,000	\$ 363,842	\$ (46,158)
Total revenues	<u>410,000</u>	<u>410,000</u>	<u>363,842</u>	<u>(46,158)</u>
Expenditures				
Physical environment				
Roads and streets	<u>10,000</u>	<u>10,000</u>		<u>10,000</u>
Total expenditures	<u>10,000</u>	<u>10,000</u>		<u>10,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>400,000</u>	<u>400,000</u>	<u>363,842</u>	<u>(36,158)</u>
Other financing sources				
Debt proceeds				
Transfers out	(400,000)	(600,000)	(400,000)	200,000
Appropriated fund balance	<u>200,000</u>	<u>200,000</u>		<u>(200,000)</u>
Total other financing sources	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	
Net change in fund balance	<u>\$</u>	<u>\$</u>	(36,158)	<u>\$ (36,158)</u>
Fund balance, beginning of year			<u>510,559</u>	
Fund balance, end of year			<u>\$ 474,401</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 Year Ended September 30, 2020

	Budget Amounts		Actual	
	Original	Final Revised	Amounts	Variance
Revenues				
Local option sales tax	\$ 260,000	\$ 260,000	\$ 233,775	\$ (26,225)
Interest and other			3,245	3,245
Total revenues	<u>260,000</u>	<u>260,000</u>	<u>237,020</u>	<u>(22,980)</u>
Expenditures				
Physical environment				
Roads and streets				
Excess (deficiency) of revenues over (under) expenditures	<u>260,000</u>	<u>260,000</u>	<u>237,020</u>	<u>(22,980)</u>
Other financing sources				
Transfer to fund balance	<u>260,000</u>	<u>260,000</u>		<u>(260,000)</u>
Net change in fund balance	<u>\$ 520,000</u>	<u>\$ 520,000</u>	237,020	<u>\$ (282,980)</u>
Fund balance, beginning of year			<u>624,508</u>	
Fund balance, end of year			<u>\$ 861,528</u>	

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Required Supplementary Information (RSI)

September 30, 2020

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, 2020, the department below had expenditures that exceeded the legal level of control.

Planning and zoning	\$ 14,225
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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>	<u>2019</u>	<u>2020</u>
Contractually required FRS contribution	\$ 32,722	\$ 34,576	\$ 10,252	\$ 7,440	\$ 18,804	\$ 31,920
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>	<u>(18,804)</u>	<u>(31,920)</u>
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 251,455	\$ 226,503	\$ 172,507	\$ 101,638	\$ 194,113	\$ 208,324
FRS contributions as a percentage of covered payroll	13.01%	15.27%	5.94%	7.32%	9.69%	15.32%

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	2019	2020
Proportion of the FRS net pension liability	0.135400%	0.001291%	0.001154%	0.000988%	0.000639%	0.001917%
Proportionate share of the FRS net pension liability	\$ 174,891	\$ 326,010	\$ 341,211	\$ 297,710	\$ 220,163	\$ 830,747
Town's covered payroll	\$ 248,765	\$ 246,765	\$ 172,507	\$ 137,170	\$ 126,272	\$ 164,358
Town's proportionate share of the FRS net pension liability as a percentage of covered payroll	70.30%	132.11%	197.80%	217.04%	174.36%	505.45%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	84.88%	83.89%	84.26%	82.61%	78.85%

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

Assumption Changes						
Discount Rate	7.65%	7.60%	7.10%	7.00%	6.90%	6.80%

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>	<u>2019</u>	<u>2020</u>
Contractually required HIS contribution	\$ 5,868	\$ 34,576	\$ 2,863	\$ 4,666	\$ 7,696	\$ 11,377
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>	<u>(7,696)</u>	<u>(11,377)</u>
HIS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 251,455	\$ 226,503	\$ 172,507	\$ 254,024	\$ 463,608	\$ 685,328
HIS contributions as a percentage of covered payroll	2.33%	15.27%	1.66%	1.84%	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. 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	2019	2020
Proportion of the HIS net pension liability	0.001407%	0.001433%	0.001379%	0.001063%	0.000925%	0.001982%
Proportionate share of the HIS net pension liability	\$ 143,455	\$ 167,037	\$ 147,409	\$ 112,557	\$ 103,460	\$ 241,949
Town's covered payroll	\$ 248,765	\$ 246,765	\$ 172,507	\$ 347,343	\$ 305,943	\$ 530,083
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%	33.82%	45.64%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.97%	1.64%	2.15%	2.63%	3.00%
NOTE: The above amounts are as of the plan fiscal year, which ends on June 30.						
Assumption Changes						
Discount Rate	4.29%	2.85%	3.58%	3.87%	3.50%	2.21%

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.

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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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Revenue Capacity

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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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities:					
Net investment in capital assets	\$ 7,600	\$ 55,475	\$ 1,538,853	\$ 1,492,795	\$ 1,856,215
Restricted	620,295	642,359	896,886	1,076,147	1,266,673
Unrestricted	<u>2,045,135</u>	<u>2,334,787</u>	<u>2,132,881</u>	<u>2,150,361</u>	<u>1,633,875</u>
Total governmental activities net position	<u>\$ 2,673,030</u>	<u>\$ 3,032,621</u>	<u>\$ 4,568,620</u>	<u>\$ 4,719,303</u>	<u>\$ 4,756,763</u>
Business-type activities					
Unrestricted	<u>\$ (4,102.00)</u>	<u>\$ 31,689</u>	<u>\$ 37,058</u>	<u>\$ 38,959</u>	<u>\$ 29,594</u>
Primary government:					
Net investment in capital assets	\$ 7,600	\$ 55,475	\$ 1,538,853	\$ 1,492,795	\$ 1,856,215
Restricted	620,295	642,359	896,886	1,076,147	1,266,673
Unrestricted	<u>2,041,033</u>	<u>2,366,476</u>	<u>2,169,939</u>	<u>2,189,320</u>	<u>1,663,469</u>
Total primary government net position	<u>\$ 2,668,928</u>	<u>\$ 3,064,310</u>	<u>\$ 4,605,678</u>	<u>\$ 4,758,262</u>	<u>\$ 4,786,357</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental activities:					
Net investment in capital assets	\$ 3,165,292	\$ 3,962,198	\$ 4,652,258	\$ 4,989,272	\$ 4,793,434
Restricted	1,035,067	1,163,010	1,973,806	2,481,866	2,675,011
Unrestricted	<u>2,101,301</u>	<u>1,302,320</u>	<u>331,416</u>	<u>560,522</u>	<u>575,736</u>
Total governmental activities net position	<u>\$ 6,301,660</u>	<u>\$ 6,427,528</u>	<u>\$ 6,957,480</u>	<u>\$ 8,031,660</u>	<u>\$ 8,044,181</u>
Business-type activities					
Unrestricted	<u>\$ 28,097</u>	<u>\$ (20,435)</u>	<u>\$ (8,655)</u>	<u>\$ 83,372</u>	<u>\$ 129,307</u>
Primary government:					
Net investment in capital assets	\$ 3,165,292	\$ 3,962,198	\$ 4,652,258	\$ 4,989,272	\$ 4,793,434
Restricted	1,035,067	1,163,010	1,973,806	2,481,866	2,675,011
Unrestricted	<u>2,129,398</u>	<u>1,281,885</u>	<u>322,761</u>	<u>643,894</u>	<u>705,043</u>
Total primary government net position	<u>\$ 6,329,757</u>	<u>\$ 6,407,093</u>	<u>\$ 6,948,825</u>	<u>\$ 8,115,032</u>	<u>\$ 8,173,488</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)

	2011	2012	2013	2014	2015
EXPENSES					
Governmental activities:					
General government	\$ 477,173	\$ 580,508	\$ 744,933	\$ 675,546	\$ 916,445
Public safety (1)	274,785	274,911	275,243	280,515	285,459
Physical environment	182,996	342,238	366,296	454,398	402,114
Interest expense					
Total governmental activities	<u>934,954</u>	<u>1,197,657</u>	<u>1,386,472</u>	<u>1,410,459</u>	<u>1,604,018</u>
Business-type activities:					
Sanitation	<u>469,761</u>	<u>429,196</u>	<u>479,497</u>	<u>419,256</u>	<u>440,786</u>
Total primary government expenses	<u>1,404,715</u>	<u>1,626,853</u>	<u>1,865,969</u>	<u>1,829,715</u>	<u>2,044,804</u>
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	11,948	107,895	56,392	56,635	132,333
Public safety	-	-	-	-	-
Physical environment	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	453	49,813	1,600,044	40,000	-
Total governmental activities program revenues	<u>12,401</u>	<u>157,708</u>	<u>1,656,436</u>	<u>96,635</u>	<u>132,333</u>
Business-type activities:					
Charges for services-Sanitation	464,023	464,987	347,557	421,157	431,421
Operating grants and contributions	-	-	-	-	-
Total business-type program revenues	<u>464,023</u>	<u>464,987</u>	<u>347,557</u>	<u>421,157</u>	<u>431,421</u>
Total primary government program revenues	<u>476,424</u>	<u>622,695</u>	<u>2,003,993</u>	<u>517,792</u>	<u>563,754</u>
Net (expense) revenue					
Governmental activities	(922,553)	(1,039,949)	269,964	(1,313,824)	(1,471,685)
Business-type activities	(5,738)	35,791	(131,940)	1,901	(9,365)
Total primary government net (expenses) revenue	<u>(928,291)</u>	<u>(1,004,158)</u>	<u>138,024</u>	<u>(1,311,923)</u>	<u>(1,481,050)</u>
General revenues and Other Changes in Net Position:					
Governmental activities:					
Property taxes	263,170	214,645	210,005	208,173	229,355
Local option sales tax	-	-	-	-	-
Utility taxes	345,155	341,596	342,478	355,879	349,103
Franchise fees based on gross receipts	207,153	193,270	192,552	220,245	221,246
Unrestricted intergovernmental revenue	635,465	648,838	655,888	677,061	709,241
Interest and other	20,064	1,191	2,421	3,149	200
Transfers	-	-	(137,309)	-	-
Total governmental activities	<u>1,471,007</u>	<u>1,399,540</u>	<u>1,266,035</u>	<u>1,464,507</u>	<u>1,509,145</u>
Business-type activities:					
Interest and other	1,636	-	-	-	-
Transfers	-	-	137,309	-	-
Total business-type activities	<u>1,636</u>	<u>-</u>	<u>137,309</u>	<u>-</u>	<u>-</u>
Total primary government	<u>1,472,643</u>	<u>1,399,540</u>	<u>1,403,344</u>	<u>1,464,507</u>	<u>1,509,145</u>
Change in Net Position					
Governmental activities	548,454	359,591	1,535,999	150,683	37,460
Business-type activities	(4,102)	35,791	5,369	1,901	(9,365)
Total primary government	<u>\$ 544,352</u>	<u>\$ 395,382</u>	<u>\$ 1,541,368</u>	<u>\$ 152,584</u>	<u>\$ 28,095</u>

(1) In 2020 Code Enforcement and Planning and Zoning were moved from General Government to Public Safety.

2016	2017	2018	2019	2020
\$ 914,583	\$ 963,530	\$ 1,042,085	\$ 1,452,992	\$ 1,111,638
290,048	294,621	610,000	622,412	1,002,044
1,061,666	805,928	1,030,000	1,417,732	2,449,872
		9,272	33,024	26,973
<u>2,266,297</u>	<u>2,064,079</u>	<u>2,691,357</u>	<u>3,526,160</u>	<u>4,590,527</u>
435,614	553,265	814,671	550,288	703,481
<u>2,701,911</u>	<u>2,617,344</u>	<u>3,506,028</u>	<u>4,076,448</u>	<u>5,294,008</u>
204,519	110,820	104,397	160,658	181,640
-	-	-	-	-
-	-	-	1,543,093	1,554,737
-	-	45,178	-	70,741
<u>1,997,697</u>	<u>260,404</u>	<u>-</u>	<u>92,897</u>	<u>20,000</u>
<u>2,202,216</u>	<u>371,224</u>	<u>149,575</u>	<u>1,796,648</u>	<u>1,827,118</u>
339,620	357,835	364,869	642,315	645,523
-	54,351	51,582	-	103,893
<u>339,620</u>	<u>412,186</u>	<u>416,451</u>	<u>642,315</u>	<u>749,416</u>
2,541,836	783,410	566,026	2,438,963	2,576,534
(64,081)	(1,692,855)	(2,541,782)	(1,729,512)	(2,763,409)
(95,994)	(141,079)	(398,220)	92,027	45,935
<u>(160,075)</u>	<u>(1,833,934)</u>	<u>(2,940,002)</u>	<u>(1,637,485)</u>	<u>(2,717,474)</u>
315,454	361,816	612,844	913,924	972,399
-	160,446	219,920	244,142	233,775
353,221	372,182	388,641	474,036	442,683
312,064	262,181	214,497	321,215	321,674
722,300	741,009	748,944	755,583	754,758
436	13,636	27,713	94,792	50,641
<u>(94,497)</u>	<u>(92,547)</u>	<u>(410,000)</u>		
<u>1,608,978</u>	<u>1,818,723</u>	<u>1,802,559</u>	<u>2,803,692</u>	<u>2,775,930</u>
-	-	-	-	-
94,497	92,547	410,000	-	-
94,497	92,547	410,000	-	-
<u>1,703,475</u>	<u>1,911,270</u>	<u>2,212,559</u>	<u>2,803,692</u>	<u>2,775,930</u>
1,544,897	125,868	(739,223)	1,074,180	12,521
(1,497)	(48,532)	11,780	92,027	45,935
<u>\$ 1,543,400</u>	<u>\$ 77,336</u>	<u>\$ (727,443)</u>	<u>\$ 1,166,207</u>	<u>\$ 58,456</u>

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

	2011	2012	2013	2014	2015
General Fund					
Nonspendable-prepays	\$ 28,437	\$ 22,899	\$ 42,604	\$ 47,425	\$ 26,562
Restricted for tree mitigation					
Assigned for capital projects	1,000,000				
Unassigned	1,016,698	1,311,888	690,277	882,923	454,232
Total general fund	<u>\$ 2,045,135</u>	<u>\$ 1,334,787</u>	<u>\$ 732,881</u>	<u>\$ 930,348</u>	<u>\$ 480,794</u>
All other governmental funds					
Restricted for infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for transportation	620,295	642,359	896,886	1,076,147	1,266,673
Assigned for capital projects		1,000,000	1,400,000	1,220,013	1,153,081
Total all other governmental funds	<u>\$ 620,295</u>	<u>\$ 1,642,359</u>	<u>\$ 2,296,886</u>	<u>\$ 2,296,160</u>	<u>\$ 2,419,754</u>
	2016	2017	2018	2019	2020
General Fund					
Nonspendable-prepays	\$ 28,293	\$ 3,750	\$ -	\$ 82,256	\$ 62,342
Restricted for tree mitigation				75,635	153,635
Restricted for transportation					60,000
Assigned for subsequent year's budget					53,803
Unassigned	307,413	425,225	485,224	638,242	729,646
Total general fund	<u>\$ 335,706</u>	<u>\$ 428,975</u>	<u>\$ 485,224</u>	<u>\$ 796,133</u>	<u>\$ 1,059,426</u>
All other governmental funds					
Nonspendable-prepays	\$ -	\$ -	\$ -	\$ 50,000	\$ 100,298
Restricted for infrastructure	-	160,446	380,366	624,508	861,528
Restricted for transportation	1,035,067	1,002,564	886,474	1,007,764	1,244,226
Restricted for roads and drainage			608,773	670,368	242,271
Restricted for debt service			103,927	107,943	114,587
Assigned for capital projects	1,119,740	862,642	162,667	162,668	214,452
Total all other governmental funds	<u>\$ 2,154,807</u>	<u>\$ 2,025,652</u>	<u>\$ 2,142,207</u>	<u>\$ 2,623,251</u>	<u>\$ 2,777,362</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)

	2011	2012	2013	2014	2015
REVENUES					
Property taxes	\$ 263,170	\$ 214,645	\$ 210,005	\$ 208,173	\$ 229,355
Local option sales tax	-	-	-	-	-
Utility taxes	345,155	341,596	342,478	355,879	349,103
Franchise fees	207,153	193,270	192,552	220,245	221,246
Intergovernmental revenue	635,465	648,838	655,888	677,061	709,241
Charge for services	2,352	61,650	45,117	15,322	105,179
Licenses and permits	9,596	10,518	9,564	31,666	20,140
Fines and forfeitures	-	35,727	1,711	9,647	7,014
Contributions from private sources	-	49,813	-	40,000	-
Interest and other	20,064	1,191	2,421	3,149	200
Total revenues	<u>1,482,955</u>	<u>1,557,248</u>	<u>1,459,736</u>	<u>1,561,142</u>	<u>1,641,478</u>
EXPENDITURES					
Current:					
General government	480,664	578,987	744,225	675,104	909,330
Public safety	274,785	274,911	275,243	280,515	285,459
Physical environment	182,996	340,971	250,338	213,725	150,995
Capital outlay	-	50,663	0	195,057.00	621,654
Total expenditures	<u>938,445</u>	<u>1,245,532</u>	<u>1,269,806</u>	<u>1,364,401</u>	<u>1,967,438</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	541,844	55,070	40,000
Transfers out	-	-	(679,153)	(55,070)	(40,000)
	<u>-</u>	<u>-</u>	<u>(137,309)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 544,510</u>	<u>\$ 311,716</u>	<u>\$ 52,621</u>	<u>\$ 196,741</u>	<u>\$ (325,960)</u>
Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
	2016	2017	2018	2019	2020
REVENUES					
Property taxes	\$ 315,454	\$ 361,816	\$ 612,844	\$ 913,924	\$ 972,399
Local option sales tax	-	160,446	219,920	244,142	233,775
Utility taxes	353,221	372,182	388,641	474,036	442,683
Franchise fees	312,064	262,181	214,497	321,214	321,674
Intergovernmental revenue	722,300	741,009	748,944	790,155	805,363
Charge for services	158,546	64,727	43,258	240,539	322,544
Licenses and permits	34,622	23,524	51,897	39,209	28,596
Special assessments	-	-	-	1,814,093	1,825,737
Fines and forfeitures	11,351	22,569	9,242	36,911	500
Contributions	926,942	260,404	-	-	47,908
Interest and other	436	4,686	27,713	187,689	22,733
Total revenues	<u>2,834,936</u>	<u>2,273,544</u>	<u>2,316,956</u>	<u>5,061,912</u>	<u>5,023,912</u>
EXPENDITURES					
Current:					
General government	900,292	948,468	1,027,261	1,576,510	1,208,515
Public safety	290,048	294,621	610,000	622,412	1,002,044
Physical environment	768,167	454,017	672,401	1,440,482	1,472,757
Capital outlay	1,191,967	519,777	322,842	313,525	280,303
Debt service:					
Principal	-	-	263,000	271,000	611,000
Interest	-	-	21,227	34,406	30,089
Other debt service costs	-	-	2,438	11,625	1,800
Total expenditures	<u>3,150,474</u>	<u>2,216,883</u>	<u>2,919,169</u>	<u>4,269,960</u>	<u>4,606,508</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	378,638	0	1,086,898	-	490,683
Transfers out	(473,135)	(92,547)	(1,496,898)	-	(490,683)
	<u>(94,497)</u>	<u>(92,547)</u>	<u>(410,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (410,035)</u>	<u>\$ (35,886)</u>	<u>\$ (1,012,213)</u>	<u>\$ 791,952</u>	<u>\$ 417,404</u>
Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>0.0%</u>	<u>12.4%</u>	<u>8.7%</u>	<u>17.5%</u>

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

<u>Fiscal Year</u>	<u>Ad-Valorem Taxes General Purpose</u>	<u>Local Option Sales Tax (2)</u>	<u>Utility Tax</u>	<u>Intergovernmental</u>	<u>Franchise Tax</u>
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
2019	913,924	244,142	474,036	790,155	321,214
2020	972,399	233,775	442,683	805,363	321,674

(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	Special Assessments	Fines and Forfeitures	Contributions	Interest/ Other	Total
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
240,539	39,209	1,814,093	36,911	-	187,689	5,061,912
322,544	28,596	1,825,737	500	47,908	22,733	5,023,912

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		
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	291,856,370
2019	182,223,067	40,739,695	92,887,986	1,676,098	15,010,899	332,537,745
2020	188,930,066	53,869,260	97,564,863	1,787,150	16,638,356	358,789,695

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
1.2000	\$	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	78.24%
3.0000		425,594,621	78.13%
3.0000		455,495,454	78.77%

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>
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
2019	3.0000	7.1640	4.7815	0.0594	3.4581
2020	3.0000	7.0100	4.7815	0.3090	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
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
0.7261	0.5870	0.2795	0.6497	0.0320	20.7373
0.7261	0.5833	0.2675	0.6497	0.0320	20.8172

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

2020				2011			
<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 LLC	16,385,000	1	4.92%				
PALMS WEST MEDICAL OFFICE COMPLEX	9,620,000	2	2.89%				
GROVES MEDICAL PLAZA LLC	4,553,000	3	1.37%	GROVES MEDICAL PLAZA LLC	13,199,999	1	5.79%
WILLIAMS & SONS REALTY OF 29TH ST INC	3,322,500	4	1.00%				0.00%
R BROKE NOW LLC	3,258,000	5	0.98%	R BROKE NOW LLC	2,800,805	4	1.23%
WPB DEVELOPMENT LLC	2,473,000	6	0.74%				
YEES CORP	2,470,500	7	0.74%	YEES CORP	2,859,843	3	1.25%
LANTANA HOLDINGS LLC	2,113,800	8	0.63%				
EVERGLADES FARM EQUIP CO	2,043,900	9	0.61%	EVERGLADES FARM EQUIP CO	1,997,435	5	0.88%
7 ELEVEN	1,709,300	10	0.51%				
				ZDARSKY CONSTANTIN	3,258,760	2	1.43%
				SOUTHERN MANAGEMENT CORP	1,793,950	6	0.79%
				SUNSPORT GARDENS	1,390,479	7	0.61%
				ROYALS OK LUNCH INC	1,138,974	8	0.50%
				ACKERMAN LORI	1,132,494	9	0.50%
				JACA BUSINESS CORP	1,100,396	10	0.48%
	<u>\$ 47,949,000</u>		<u>14.39%</u>		<u>\$ 30,673,135</u>		<u>13.46%</u>

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

Fiscal Year	Collected Within the Fiscal Year					
	Total Taxes Levied for Fiscal Year	of Levy		Collections in Subsequent Years	Total Collections to Date	
		Percent of			Percent of	
		Amount	Levy		Amount	Levy
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%
2019	1,012,998	913,924	90.22%	n/a	913,924	90.22%
2020	1,166,479	972,399	83.36%	n/a	972,399	83.36%

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>
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%
2019	3,593	n/a	n/a	3.20%
2020	3,661	n/a	n/a	6.60%

(1) Population estimate 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, 2020

<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	\$ 6,498,000	0.17%	\$ 11,047
Palm Beach County	<u>\$ 49,498,000</u>	0.17%	<u>\$ 84,147</u>
Subtotal, overlapping debt	<u>\$ 55,996,000</u>		<u>\$ 95,194</u>
Other debt:			
Town of Loxahatchee Groves direct debt	\$ 242,375	100.00%	\$ 242,375
Total direct and overlapping debt	<u><u>\$ 56,238,375</u></u>		<u><u>\$ 337,569</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, 2020

Employer	2020			2011		
	<u>EMPLOYEES</u>	<u>RANK</u>	Percentage of Total County <u>Employment</u>	<u>EMPLOYEES</u>	<u>RANK</u>	Percentage of Total County <u>Employment</u>
Palm Beach County School District	22,049	1	3.14%	21,718	1	3.53%
State Government				7,433	3	1.21%
Federal Government				6,423	4	1.04%
Tenet Healthcare Corp.	6,505	3	0.93%	5,127	5	0.83%
Palm Beach County Government	11,652	2	1.66%	11,381	2	1.85%
NextEra Energy (Florida Power & Light)	4,807	4	0.68%	3,658	7	0.59%
Hospital Corporation of America (HCA)	2,806	6	0.40%	4,150	6	0.67%
Boca Raton Regional Hospital	2,800	7	0.40%			
Florida Atlantic University	2,898	5	0.41%	2,776	8	0.45%
Veterans Health Administration	2,700	8	0.38%	2,205	10	0.36%
Bethesda Memorial Hospital	2,282	10	0.32%	2,300	9	0.37%
The Breadkers	2,300	9	0.33%			
	<u>60,799</u>		<u>8.65%</u>	<u>67,171</u>		<u>10.90%</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	2011	2012	2013	2014	2015
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	2016	2017	2018	2019	2020
Legislative	(1)	(1)	(1)	-	
Clerk	(1)	(1)	(1)	1	1
General government	(1)	(1)	(1)	4	4
Community Development	(1)	(1)	(1)	2	2
Public Works	(1)	(1)	4, (1)	5	7
Parks	(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	2011	2012	2013	2014	2015
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)
	(1)	(1)	(1)	(1)	(1)
Building and Zoning:	(1)	(1)	(1)	(1)	(1)
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	2016	2017	2018	2019	2020
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)
	(1)	(1)	(1)	(1)	(1)
Building and Zoning:	(1)	(1)	(1)	(1)	(1)
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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TELEPHONE (561) 996-5612
FAX (561) 996-6248

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, 2020, 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 13, 2021.

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. Subsequent to September 30, 2020, the updated Policies and Procedures Manual was completed, approved by the Town Council and implemented.

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 always being timely prepared and reviewed.
- Construction work in progress schedules were not maintained by project.
- Year end reconciliations and adjusting/closing entries were not timely made.
- Fiscal Policies relating to the COVID State of Emergency approved by the Town Council were never formally documented.

Recommendation

We recommend the Town follow the revised Policies and Procedures Manual and periodically update and monitor them to ensure the policies and procedures are still appropriate and are being followed.

Management's Response

Management continues the process of updating all policies and procedures, financial and otherwise, particularly because we are in process of automating and integrating all systems to reduce risk, to enhance controls and to provide more timely and detailed reporting. For instance, we have integrated payroll processing, established online portals for applications and vendor billing, and implemented remote deposits. Working with our IT provider, we will continue to use technology to increase efficiency and effectiveness and to compensate for segregation of duties. With respect to the specific items noted, we have re-assigned staff duties, increased cross-training and engaged an outside accountant to review/perform reconciliations and adjusting/closing entries. We are also in process of developing standard checklists and other SOPs for all operations of the Town. In Public Works, we are creating a variety of logging and tracking systems including individual project files and schedules for capital assets and other maintenance activities.

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, 2020 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 staff has communicated with JLAC throughout the delinquent period. We are in process of the FY 2021 audit and anticipate no delays in filing.

Town of Loxahatchee Groves, Florida's Response to Findings

The Town of Loxahatchee Groves, Florida's response to the findings identified in our audit are 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, Holt & Mims, P.A.

West Palm Beach, Florida
December 13, 2021



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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333 S.E. 2nd STREET
POST OFFICE BOX 338
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TELEPHONE (561) 996-5612
FAX (561) 996-6248

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, 2020, and have issued our report thereon dated December 13, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent 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 13, 2021, 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.

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

Sections 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 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, 2020.

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 communicate any recommendations to improve financial management. In connection with our audit, we have the following recommendation.

Finding 2019-1: Expenditures in Excess of Appropriations

Condition

As indicated in Note 2 in Notes to the Financial Statements, the General Fund had one department with expenditures in excess of appropriations.

Criteria

Florida Statutes prohibit expenditures in excess of appropriations.

Effect

Noncompliance with budgetary requirements.

Recommendation

We recommend that management review monthly budget to actual comparisons and propose budget amendments as necessary.

Management Response

Town staff agrees with the auditor and utilizes the budget as a management tool reviewing actual expenditures against planned expenditures throughout the year. To that end, current management strives to limit budget amendments to year-end adjustments to the extent possible and as necessary.

With respect to expenditures totaling \$14,225 in excess of appropriation as reported in Note 2, the increased spending was related to a grant funded land use and zoning project for which numerous delays in public participation due to COVID 19 restrictions resulted in reconsiderations by Town Council and corresponding additional zoning work by the Town's planning consultant for which the state approved several extensions. As of the date of this report, the project is continuing under extension for at least another several months.

Special District Component Units

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

In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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, 2020 and was not required to have a federal single audit or a state single audit.

Town of Loxahatchee Groves, Florida's Response to Findings

The Town of Loxahatchee Groves, Florida's response to the finding identified in our audit are 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 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 13, 2021
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

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

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

We have examined the Town of Loxahatchee Groves, Florida's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2020. 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, 2020.

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 13, 2021

REQUEST FOR PROPOSALS (RFP)

ANNUAL AUDITING SERVICES

RFP NO. 2021-_____

_____, 2021

Town of Loxahatchee Groves
155 F Road
Loxahatchee Groves, FL 33470
(561) 793-2418

LEGAL NOTICE

The Town of Loxahatchee Groves (the “Town”) is soliciting written proposals from qualified certified public accounting firms duly licensed under chapter 473, Florida Statutes and qualified to conduct audits in accordance with government auditing standards as adopted by the Florida Board of Accountancy (collectively hereinafter referred to as “firm” or “firms”) to provide financial auditing services for the Town for the three (3) fiscal years ending September 30, 2022, 2023 and 2024. Interested firms may pick up or request a copy of the Request for Proposal (RFP) from the Town Clerk at Town Hall, 155 F Road, Loxahatchee Groves, Florida 33470 or by telephone at _____ or by email at _____.

RFP packages shall be submitted to the Town on or before _____ p.m. on _____. Sealed envelopes should be marked as follows: **RESPONSE TO TOWN OF LOXAHATCHEE GROVES RFP REGARDING ANNUAL AUDITING SERVICES.** No responses will be accepted after that time. No pre-proposal conference will be held for this solicitation.

Selection will be in accordance with the RFP, the Town’s Purchasing Code and policies, Section 218.391, Florida Statutes, and all other applicable federal, state, and local requirements. The Auditor Selection Committee shall evaluate the proposals submitted by the firms using criteria as outlined in the RFP and recommend the firm that is deemed to be the most highly qualified to perform the required services to the Town Council. The Town Council will select the firm that most qualified firm that offers the Town the most advantageous opportunity. The Town reserves the right in its sole discretion to withdraw this RFP, to reject any or all proposals and/or to waive all nonmaterial irregularities on any and all proposals. All questions and requests for additional information in connection with this RFP and selection shall be directed in writing or email only to _____, 155 F Road, Loxahatchee Groves, Florida 33470; email _____.

Dated: _____, 2021

Town of Loxahatchee Groves

Published: _____

I. GENERAL TERMS AND CONDITIONS

1.0 Purpose and Scope of Services; Background Information

A. **Purpose and Scope of Services.** The Town is soliciting written proposals from qualified certified public accounting firms duly licensed under chapter 473, Florida Statutes and qualified to conduct audits in accordance with government auditing standards as adopted by the Florida Board of Accountancy to provide financial auditing services for the Town for the three (3) fiscal years ending September 30, 2022, 2023 and 2024. The scope of services is anticipated to include but not be limited to the services described in **Exhibit A** which is attached hereto and incorporated herein by this reference. There is no guarantee of a minimum amount of work under any resulting contract. These tasks are not to be construed as a complete statement of all duties to be performed. The awarded consultant ("Consultant") may be required to perform other job-related duties as required. All services shall be performed and completed in compliance with all applicable codes, laws, rules, and regulations governing these services. The firm shall have all proper licenses as required by law.

B. Background Information.

1. **Generally.** The Town serves an area of ____ square miles, of which ____ square miles is land and ____ square miles in water. The Town has a population of approximately _____. The Town's fiscal year begins on October 1st and ends on September 30th. The Finance Department maintains the funds and accounts of the Town. The **Finance Department** is responsible for the custody and accounting of funds of each department. More detailed information on the government and its finances can be found in The Town of Loxahatchee Groves audited financial statements and in the Town's Annual budget. These documents are available on the Town's website at www.loxahatcheegrovesfl.gov. The Town of Loxahatchee Groves is exempt from any and all state, local and federal taxes.

2. **Federal and State Financial Assistance.** The Town met the threshold for the Single Audit requirements for Fiscal Year Ending 2021. A single audit may be required for Fiscal Year Ending 2022.

3. **Reporting Entity.** The Town is a municipal corporation incorporated in 2006 pursuant to Chapter 2006-328, Laws of Florida, and has the "Council-Manager" form of government. Registered voters elect the Council, and the Council appoints the Mayor and Vice-Mayor annually. The Council appoints the Town Manager, who in turn performs as the administrator of everyday operations. The Town's major operations include public safety (building inspection and code enforcement), public works, and general administrative services.

4. **Fund Structure.** The Town reports a single major governmental fund: General Fund. The annual budget is prepared in accordance with generally accepted accounting principles.

5. **Pension Plans.** The Town does not maintain a pension plan for employees.

6. Financial Accounting Software. During Fiscal Year Ending 2022, the Town completed a transition from Quickbooks to a municipal accounting software program (BSA). Transactions from October through March 31, 2021 are available in Quickbooks, while subsequent transaction detail is available through BSA. While historical balances were converted with the transition, account level detail prior to transition is only available in Quickbooks.

2.0 No Oral Interpretations of the RFP; Reviewing RFP; Addenda

No Person is authorized to give oral interpretations of, or make oral changes to, this RFP. Therefore, oral statements about the RFP by the Town's representatives will not be binding on the Town and should not be relied upon by a firm. By submitting proposals, a firm certifies that its submitted proposals are made without reliance on any oral representation by the Town, its agents, or employees. Each firm should closely examine all of the documents and requirements in this RFP. It is the sole responsibility of the firm to ensure that he or she has received and understands all of the pages of the RFP. In accordance with the provisions of the American with Disabilities Act, this RFP may be requested in an alternate format. If a firm discovers any ambiguity, conflict, discrepancy, omission or other error in the RFP, it shall immediately notify the Town of such error in writing and request modification or clarification of the document. Any modification made to this RFP will be issued as an addendum. If a firm fails to notify the Town prior to the date and time fixed for submission of an error or ambiguity in the RFP known to it, or an error or ambiguity that reasonably should have been known to it, it shall not be entitled to additional time by reason of the error/ambiguity or its late resolution.

No later than **p.m. on** , each firm shall deliver to the Town all of the firm's questions concerning the intent, meaning and interpretation of this RFP. Each firm shall be deemed to have waived all questions that are not submitted to the Town in compliance with this Section. A firm's questions may be delivered to the Town by hand-delivery, mail or e-mail but all such submittals shall be in writing and addressed to:

Town of Loxahatchee Groves
_____, Town _____
155 F Road
Loxahatchee Groves, Florida 33470

If revisions to this RFP become necessary, the Town will issue written addenda. The Town will endeavor to make sure all participating firms receive such addendum by posting the addendum on the Town's website (www.loxahatcheegrovesfl.gov); however, it is the sole responsibility of every firm to verify with the Town whether any addendum has been issued prior to submitting sealed proposals. If one or more addenda are issued, the firm must complete the Acknowledgement of Addenda form which is attached hereto as **Exhibit I**. The Town provides this website as a courtesy only and assumes no responsibility for errors or omissions that may affect proposals submitted in response to this RFP.

3.0 Schedule and Deadlines for the RFP

A summary schedule of the major activities associated with this RFP is presented below. The Town, in its sole discretion, may modify the schedule as the Town deems appropriate. The Town will provide notification of any changes to the schedule by issuing written addenda as set forth above.

The following is an estimated schedule to be followed for this RFP.

Advertisement:	_____
Deadline for Written Questions:	_____
Proposals Due Date:	_____
Auditor Selection Committee Meeting:	_____
Town Council Approval:	_____

Any Town Council or Auditor Selection Committee meetings will be held at Town Hall, 155 F Road, Loxahatchee Groves, Florida, or via communications media technology, if necessary. Firms shall contact the Town to confirm how to participate in any Town Council and Auditor Selection Committee meetings.

4.0 Property of the Town

All materials submitted in response to this RFP become the property of the Town. The Town has the right to use any or all ideas presented in any response to this RFP, whether amended or not, and selection or rejection of a proposal does not affect this right.

5.0 Legal Requirements

Each firm must comply with all federal, state, and local laws, ordinances, policies, rules and regulations that are applicable to this RFP and the work to be performed under the Contract. A firm's lack of knowledge about the applicable laws shall not be grounds for relief from such laws, or constitute a defense against the enforcement of such laws.

6.0 Public Records

Any material submitted in response to this RFP will become a public record and shall be subject to public disclosure consistent with the Florida Public Records Law (Part 119, Florida Statutes), except as may be provided by the Public Records Law or other applicable state or federal law. If any firm believes its proposal contains exempt or confidential information, the firm must identify the same at the time of the submission of the proposal. Failure to do so may result in the waiver of such exemption or confidentiality.

7.0 Drug-Free Work Place

Preference shall be given to a business with a Drug-Free Work Place (DFW) program. Whenever the Town receives two or more proposals that are equal with respect to price, quality, and service, the Town may give preference to the proposal received from a business that completes the attached DFW form, see **Exhibit E**, and certifies it is a DFW.

8.0 Communications

Firms interested in submitting a response to this RFP agree not to contact or "lobby" Town Council members or any employee or agent of the Town at any time during the solicitation period and selection process, with the exception of directing questions/requests for clarification through the Town _____. Any other contact with the Town in this matter will be considered inappropriate and subject the response to rejection/disqualification.

9.0 Prohibition on Scrutinized Companies

As provided in F.S. 287.135(2)(a), by submitting a proposal, or entering into any agreement with the Town, or performing any work in furtherance hereof, the firm certifies that it is not on the

Scrutinized Companies that Boycott Israel List, created pursuant to section 215.4725, Florida Statutes, or is engaged in a boycott of Israel. The firm shall complete the attached Scrutinized Companies Certification Form which is attached here as **Exhibit F**.

10.0 Cost of Proposal Preparation

The firm assumes all risks and expenses associated with the preparation and submittal of a proposal in response to this RFP. The Town shall not be liable for any expenses incurred by the firm when responding to this RFP, including but not limited to the cost of making presentations to the Town.

11.0 Implied Requirements

Products and services not specifically mentioned in this RFP but which are necessary to provide the services described by this RFP, shall be included in the proposal. It is intended that this RFP describe the requirements and response format in sufficient detail to secure comparable proposals.

12.0 Proposal of Additional Services

If a firm indicates, or the Town requests, an offer of services in addition to those required by and described in this RFP, these additional services may be added to the contract by amendment thereto signed by both parties.

13.0 Protest Procedures

Firms may protest in accordance with the Town's Code of Ordinances, Section 2-137.

14.0 Non-collusion

The firm certifies, through the submittal of its proposal, that the proposal is made without prior understanding, agreement, or connection with any individual, firm, partnership, corporation or other entity submitting a proposal for the same services, and is in all respects fair and without collusion or fraud. No premiums, rebates, or gratuities are permitted with, prior to, or after any provisions of services. If there is reason to believe that a violation of this provision exists, the Town may reject proposals, terminate the resulting contract and/or prohibit the violator from bidding on future Town projects.

15.0 Code of Ethics; Conflict of Interest

This RFP is subject to the State of Florida Code of Ethics, the Palm Beach County Code of Ethics, the Palm Beach County Inspector General Ordinance, and the Town of Loxahatchee Groves Code of Ethics. If any firm violates or is a party to a violation of an applicable Code of Ethics or Inspector General Ordinance, such firm may be disqualified from performing the work described in this RFP or from furnishing the goods or services for which this RFP is submitted and may be further disqualified from bidding on any future RFPs (or other procurement requests and invitations) for work or for goods or services for the Town. All firms must complete the Conflict of Interest Form attached hereto as **Exhibit D**.

16.0 Insurance

Prior to execution of the resulting contract derived from this RFP, the awarded firm shall obtain and maintain in force at all times during the term of the resulting contract insurance coverage as required herein. All insurance policies shall be issued by companies authorized to do business under the laws of the State of Florida. All insurance carriers must have an AM Best rating of at least A VII or better. The Certificates shall clearly indicate that the firm has obtained insurance of the type, amount, and classification as required for strict compliance with this provision and that no material change or cancellation of the insurance shall be effective without thirty (30) days prior

written notice to the Town. Compliance with the foregoing requirements shall not relieve the firm of its liability and obligations under the resulting contract.

- A. **Professional Liability.** The selected firms shall maintain during the term of the contract, standard Professional Liability Insurance or equivalent Errors & Omissions Liability at a limit of liability not less than \$1,000,000.00 per occurrence. When a self-insured retention (SIR) or deductible exceeds \$10,000.00, the Town reserves the right, but not the obligation, to review and request a copy of the firm's most recent annual report or audited financial statement. For policies written on a "Claims-Made" basis, the firm warrants the retroactive date equals or precedes the effective date of the awarded contract. In the event the policy is canceled, non-renewed, switched to an Occurrence Form, retroactive date advanced, or any other event triggering the right to purchase a Supplemental Extended Reporting Period (SERP) during the life of the contract, the firm shall agree to purchase a SERP with a minimum reporting period of not less than three (3) years. If the policy contains an exclusion for dishonest or criminal acts, defense coverage for the same shall be provided.
- B. **Commercial General Liability.** The firm shall maintain, during the life of the contract, commercial general liability, including public and contractual liability insurance in the amount of \$1,000,000.00 per occurrence (\$2,000,000.00 aggregate) to protect the firm from claims for damages for bodily and personal injury, including wrongful death, as well as from claims of property damages which may arise from any operations under the contract, whether such operations be by the firm or by anyone directly or indirectly employed by or contracting with the firm.
- C. **Worker's Compensation.** The firm shall carry Workers' Compensation Insurance and Employer's Liability Insurance for all employees as required by Florida Statutes.
- D. **Business Automobile Liability.** The firm shall maintain comprehensive automobile liability insurance in the minimum amount of \$1,000,000 combined single limit for bodily injury and property damages liability to protect from claims for damages for bodily and personal injury, including death, as well as from claims for property damage, which may arise from the ownership, use, or maintenance of owned and non-owned automobiles, including rented automobiles whether such operations be by the firm or by anyone directly or indirectly employed by the firm.

All insurance, other than Professional Liability and Workers' Compensation, to be maintained by the firm shall specifically include the "Town of Loxahatchee Groves, its elected officials, employees, agents and affiliates" as an "Additional Insured".

The selected firm shall agree to a Waiver of Subrogation for each required policy. When required by the insurer, or should a policy condition not permit an insured to enter into a pre-loss contract to waive subrogation without an endorsement then the selected firm shall agree to notify the insurer and request the policy be endorsed with a Waiver of Transfer of Rights of Recovery Against Others, or its equivalent. This Waiver of Subrogation requirement shall not apply to any policy where a condition to the policy specifically prohibits such an endorsement, or voids coverage should the firm enter into such a contract on a pre-loss basis. All deductible amounts shall be paid for and be the responsibility of the selected firm for any and all claims under any resulting contract. It shall be the responsibility of the selected firm to ensure that all subcontractors comply with the same insurance requirements herein.

17.0 Disclosure and Disclaimer

The information contained herein is provided solely for the convenience of the firms. It is the responsibility of a firm to assure itself that information contained herein is accurate and complete. Neither the Town, nor its advisors provide any assurances as to the accuracy of any information in this RFP. Any reliance on the contents of this RFP, or on any communications with Town representatives or advisors, shall be at each firm's own risk. Firms should rely exclusively on their own investigations, interpretations and analyses in connection with this matter. The RFP is being provided by the Town without any warranty or representation, express or implied, as to its content, accuracy or completeness and no Firm or other party shall have recourse to the Town if any information herein contained shall be inaccurate or incomplete. No warranty or representation is made by the Town that any proposal conforming to these requirements will be selected for consideration, negotiation or approval.

In its sole discretion, the Town may withdraw this RFP either before or after receiving responses, may accept or reject any or all responses, may accept responses which deviate from the non-material provisions of this RFP, and may postpone the proposal due date and time. The Town may waive any minor irregularity which is defined as a variation from the terms and conditions of this solicitation that does not (1) affect the price of the proposal, (2) give the firm an unfair competitive advantage over other firms, or (3) adversely impact the interests of the Town. In its sole discretion, the Town may determine the qualifications and acceptability of any firm or firms submitting a proposal in response to this RFP. The Town will consider each proposal to the maximum extent practicable and will document the reason for any rejection. Following submission of a proposal, the firm agrees to promptly deliver such further details, information and assurances, including, but not limited to, financial and disclosure data, relating to the proposal and/or the firm, including the firm's affiliates, officers, directors, shareholders, partners and employees, as requested by the Town. Any action taken by the Town in response to any proposal made pursuant to this RFP or in making any award or failure or refusal to make any award pursuant to such proposal, or in any cancellation of award, or in any withdrawal, postponement or cancellation of this RFP, either before or after issuance of an award, shall be without any expense, liability or obligation on the part of the Town, or its advisors. Any proposal which does not meet the requirements of this RFP may be considered non-responsive, and the proposal may be rejected.

18.0 Public Entity Crimes

In accordance with section 287.133, Florida Statutes, any person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a proposal, or reply on a contract to provide any goods and/or services to a public entity; may not submit a bid, proposal, or reply on a contract with a public entity for the construction or repair of a public building or public work; may not submit bids, proposals, or replies on leases of real property to a public entity; may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity; and may not transact business with any public entity in excess of the threshold amount in section 287.017 for CATEGORY TWO for a period of 36 months following the date of being placed on the convicted vendor list.

19.0 Litigation concerning RFP and Resulting Contract

By submitting a Proposal, the firm agrees that: (a) any and all legal actions necessary to interpret or enforce this RFP or the resulting contract shall be governed by the laws of the State of Florida; and (b) the exclusive venue for any litigation concerning this RFP or the Contract shall be the state and federal courts in and for Palm Beach County, Florida.

20.0 Indemnification

By submitting a proposal hereunder, the firm agrees to the following indemnification provision being included in the resulting contract: The firm shall indemnify, defend, and hold harmless the Town and its officers, agents, and employees, from and against all claims, liabilities, damages, losses, costs and expenses, including, but not limited to, reasonable costs, collection expenses, attorneys' fees, fees and charges of any professionals, and all court, arbitration or other dispute resolution costs, including appeals, which may arise because of the negligence (whether active or passive), misconduct, or other fault, in whole or in part (whether joint, concurrent, or contributing), of the firm, its officers, agents or employees in the performance or non-performance of its obligations under the contract. The firm recognizes the broad nature of this indemnification and hold harmless clause, as well as the provision of a legal defense to the Town when necessary, and voluntarily makes this covenant and expressly acknowledges the receipt of such good and valuable consideration provided by the Town in support of these indemnification, legal defense and hold harmless contractual obligations in accordance with the laws of the State of Florida. This clause shall survive the termination of the resulting contract. Compliance with any insurance requirements required elsewhere in the resulting agreement shall not relieve the firm of its liability and obligation to defend, hold harmless and indemnify the Town as set forth herein. Nothing in the resulting agreement shall be construed or interpreted as consent by the Town to be sued, nor as a waiver of sovereign immunity beyond the waiver or limits provided in §768.28, Florida Statutes.

II. PROPOSAL, SELECTION, AND AWARD INFORMATION

1.0 Proposal Format and Information

The proposal should address and include the following items:

- Summary of the firm's personnel's abilities.
- Summary of the firm/personnel's experience, including, but not limited to, experience with similar municipal clients.
- Contact information for at least three (3) references (current/recent clients preferred) for similar municipal/governmental work, providing name, address, phone and email of references.
- Statement of the firm/personnel's ability to furnish the required services under this RFP.
- Proposal Cost Sheet (see **Exhibit H**).
- Include the following documents (completed and signed where appropriate): Checklist (see **Exhibit B**), Proposal Submittal and Acknowledgment Form (**Exhibit C**), Conflict of Interest Form (see **Exhibit D**), Drug Free Workplace Form (see **Exhibit E**), Scrutinized Companies Certification (see **Exhibit F**), and E-Verify Form (see **Exhibit G**).
- Copy of required licenses to perform services hereunder.

Each firm shall submit one (1) original, four (4) copies, and one (1) electronic copy of their proposal, in a clear, concise format, on 8 ½ X 11 paper. Proposals must be properly signed in ink by the owner/principal having the authority to bind the firm. **Signatures are required where indicated; failure to do so may be cause for rejection of the proposal.** Only one proposal may be submitted by each firm. **RFP packages shall be submitted to the Town on or before _____ p.m. on _____.**

2.0 Proposal Evaluation, Selection and Award

The Auditor Selection Committee will evaluate the proposals submitted by qualified firms and rank and recommend in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services after considering the evaluation criteria below. If fewer than three firms respond to the RFP, the committee shall recommend such firm(s) as it deems to be the most highly qualified. The ranking of the firms shall be based on the following criteria:

- a. Ability of personnel (max 20 points);
- b. Experience based on reference verifications and past similar experience (max 25 points);
- c. Ability to furnish the required services (max 15 points)
- d. Amount of Proposal Cost Sheet (**Exhibit H**) (max 20 points); and
- e. Adherence to specifications and requirements of the RFP (max 20 points).

The Town Council shall inquire of the qualified firms as to the basis of compensation. If the Town Council determines that the compensation is reasonable based upon the value of the services to be provided and the needs of the Town, it may select the highest-ranked qualified firm (or document the reason for not selecting the highest-ranked qualified firm and select the next highest-ranked qualified firm), and authorize the Town Manager, with the assistance of the Town Attorney, to negotiate a contract.

The Town Council has the ultimate authority to make an award to the firm whom it determines in its sole discretion is the most qualified firm who offers the most advantageous opportunity to the Town, or to reject all proposals, cancel the RFP and/or re-issue the RFP, and take such further action as is deemed appropriate in the sole discretion of the Town Council.

3.0 Contract

The successful firm shall be required to enter into a formal written contract with the Town which will include its standard terms and conditions and be in accordance with Section 218.391, Florida Statutes, as amended from time to time. The contract may also include a requirement for a monthly itemized bill which indicates how costs have been incurred. This RFP shall be incorporated into the contract. The Town reserves the right to delete or amend any of the services as listed and described in this RFP. The resulting contract shall be for a period of three (3) years with the option to renew for three (3) additional one (1) year periods. Options to renew are at the sole discretion of the Town and conditioned upon an agreement by the parties on a reasonable fee for such renewal periods. Any renewal will be subject to appropriation of funds by the Town and the terms and conditions of this RFP.

EXHIBIT A

SCOPE OF SERVICES

The successful firm will provide Annual Auditing Services to the Town. The scope of services includes but is not limited to the following services:

Constraints on the contractor include:

- To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, and the standards for financial audits set forth in the U.S. Government Accountability Office's Government Auditing Standards, and per the provisions of section 11.45, F.S.
- All working papers and reports must be retained, at the auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the Town of the need to extend the retention period. The auditor will be required to make working papers available, upon request, without charge, to any federal or state agency upon request.
- In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.
- The firm should provide an affirmative statement that it is independent of the Town, including each Town Officer, as defined by the U.S. Government Accountability Office's Government Auditing Standards. In addition, the firm shall give the Town written notice of any professional relationships entered into during the period of this agreement. Contractor personnel requirements include:
 - The Town desires the auditor to express an opinion on the fair presentation of its general purpose financial statements in conformity with generally accepted accounting principles.
 - A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk ("Management Letter")
 - A report on compliance with applicable laws, regulations and bond covenants
 - An "in-relation-to" report on the schedule of federal and state financial assistance if applicable.
 - A report on compliance with laws and regulations related to major and non-major federal and state financial assistance programs. This report should include an opinion on compliance with specific and general requirements applicable to major federal and state financial assistance programs and a report on compliance with laws and regulation applicable to non-major financial assistance program transactions tested if applicable.
- The Auditor shall prepare draft financial statements and notes and provide these along with all adjusting, supporting schedules to the Town. The Auditor will be responsible for the preparation of the MD&A, statistical section, editing, final printing and distribution of the Comprehensive Annual Financial Report.

- The partner-in-charge will be required to attend at least one public meeting for discussion of the audit report.

Reporting requirements include:

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

- A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
- A report on the internal control structure based on the auditor's understanding of the control structure and assessment of control risk.
- A report on compliance with applicable laws and regulations.
- A report on the internal control structure used in administering federal, state, and local financial assistant programs.
- A report on the compliance with laws and regulations related to major and non-major federal, state, and local financial assistant programs. These reports should include an opinion on compliance with specific requirements applicable to major federal financial assistance programs, and a report on compliance with laws and regulations applicable to non-major federal and state financial assistance program transactions tested.
- A report on the fair presentation of Supplementary Information Schedules of Federal, State, and Local financial assistance in relation to the Town's financial statements taken as a whole.
- Any other attestations as may be required by Florida Statutes or Florida Administrative Code.
- Management letters for the Town with required elements as required by the Rules of the Auditor General.
- The auditor shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware. Such report shall be made to the Town Manager responsible for the operations of the Town being audited and to the **Finance Director**.
- The auditors shall assure themselves that the Town is informed of each of the following:
 - o The auditor's responsibility under generally accepted auditing standards
 - o Significant accounting policies
 - o Management judgments and accounting estimates
 - o Significant audit adjustments
 - o Other information in documents containing audited financial statements
 - o Disagreements with management
 - o Management consultation with other accountants
 - o Major issues discussed with management prior to retention
 - o Difficulties encountered in performing the audit

Contractor's Responsibilities/Requirements It shall be understood and agreed that a firm submitting a proposal shall meet the following responsibilities/requirements:

- The firm must have been established as a legal entity in the State of Florida and have performed continuous CPA services for a minimum of five (5) years.
- An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in Florida.
- The firm must also be a member of the American Institute of Certified Public Accountants and the Florida Institute of Certified Public Accountants.
- The firm must meet the standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and Laws and Rules of Florida Auditor General.
- Drug-Free Workplace: In accordance with Florida Statute 287.087, preference shall be given to businesses with drug-free workplace programs. Whenever two or more proposals which are equal with respect to price, quality, and service are received by the Town for the procurement of commodities or contractual services, a proposal received from a business that furnishes a form certifying that it is a Drug Free Workplace shall be given preference in the award process.
- The firm must maintain policies on sexual harassment and hostile work environment. The firm is expected to be proactive in adhering to those policies and providing for resolutions should any potential issues arise.

Time Requirements, Date Audit May Commence: Interim audit work may be commenced at any date after the execution of the contract between the parties. However, interim work shall not be performed during the month of September unless agreed to by the **Director of Finance**.

Once all issues for discussion are resolved, the final signed report shall be delivered to the **Finance Director** within ten working days. The final report (in electronic format) and eight (8) signed copies should be delivered to:

Finance Director
Town of Loxahatchee Groves
155 F Road, Loxahatchee Groves, FL 33470

Town's Responsibilities include:

- The schedule of federal financial assistance and related auditor's report, as well as the reports on the internal control structure and compliance are to be issued as part of the comprehensive annual financial report.
- The **Finance Department** and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the **Finance Department**.
- The Town will provide the auditor with reasonable work space, desks and chairs. The auditor will also be provided with access to the internet, telephone and copier.
- Financial statement preparation, editing and printing shall be the responsibility of the Contractor.

EXHIBIT B
CONSULTANT CHECKLIST

Note:

- 1) This Exhibit must be included in RFP.
- 2) RFP Package must be put together in the order set forth in this checklist.
- 3) Any supplemental materials must appear after those listed below and be tabbed “Additional RFP Information”

_____	Copy of this Checklist (Exhibit B)
_____	References and other Information requested in Proposal Format and Info (Section II, Paragraph 1.0) (e.g., qualifications, past similar experience, etc.)
_____	Proof of Licenses
_____	Proposal Submittal Form and Acknowledgment (Exhibit C)
_____	Conflict of Interest Statement (Exhibit D)
_____	Drug Free Workplace form (Exhibit E)
_____	Scrutinized Companies Certification (Exhibit F)
_____	E-Verify Form (Exhibit G)
_____	Proposal Cost Sheet (Exhibit H)

EXHIBIT C
PROPOSAL SUBMITTAL FORM AND ACKNOWLEDGMENT

1. SUBMITTING FIRM/INDIVIDUAL NAME: _____

2. PRIMARY OFFICE ADDRESS: _____

3. TELEPHONE NUMBER: _____
4. EMAIL: _____
5. CONTACT PERSON: _____
6. FEDERAL ID# OR SSN: _____

By submitting a proposal, the firm warrants, represents, certifies, and declares that:

- A. The firm acknowledges receipt and review of Addenda Nos.: _____.
- B. The information contained in the proposal is true and the proposal is made in good faith, without collusion or fraud and is fair and competitive in all respects.
- C. The firm understands and agrees to all elements, terms, conditions and certifications of the RFP, unless otherwise agreed to by the Town, and that the RFP shall become part of any contract entered into between the Town and the firm.
- D. By signing and submitting the Proposal, firm certifies that it and any parent corporations, affiliates, subsidiaries, members, shareholders, partners, officers, directors or executives thereof are not presently debarred, proposed for debarment or declared ineligible to bid or participate in any federal, state or local government agency projects.
- E. Pursuant to section 287.133, Florida Statutes, a person or affiliate who has been placed on the convicted firm list maintained by the State of Florida may not submit proposals to the Town for 36 months following the date of being placed on the convicted firm list. The firm certifies that submittal of its proposal does not violate this statute.
- F. The firm recognizes and agrees that the Town will not be responsible or liable in any way for any losses that the firm may suffer from the disclosure or submittal of its proposal to third parties.
- G. The firm has carefully and to its full satisfaction examined the RFP and all addenda, if any.
- H. The firm has made a full examination of the Town and its relevant information and is familiar with the conditions that may impact its performance.

- I. Upon notice of an intent to award the contract, the firm will provide all documents required to commence work under the RFP and proposed contract, including but not limited to, certificates of insurance.
- J. The firm agrees that in case of its failure to execute a contract and provide all required documents within ten (10) days of receipt of the contract for execution (or other timeframe agreed to by the Town), the offer to contract may be withdrawn.
- K. The firm has not divulged or discussed its proposal with any other firm.
- L. The proposal is made based on independent determination of the firm without collusion with other firms in an effort to restrict competition.
- M. The firm has not made any attempt to induce any potential firm from submitting or declining to submit a proposal in response to this RFP.
- N. The firm is financially solvent and sufficiently experienced and competent to provide all goods and/or services required in this RFP.
- O. That the firm shall indemnify, defend and hold harmless the Town, its officers, employees and agents from any and all claims, damages, causes of action or liability related to or arising from this RFP.
- P. The proposal constitutes an offer to the Town which shall remain open, irrevocable and unchanged for ninety (90) days after proposal opening.
- Q. The individual signing on behalf of the firm certifies that he or she is authorized to sign for the firm.

AUTHORIZED SIGNATURE

TITLE

PRINT NAME

DATE

EXHIBIT D

CONFLICT OF INTEREST STATEMENT

This Request for Proposal is subject to the conflict of interest provisions of the policies and Code of Ordinances of the Town of Loxahatchee Groves, the Palm Beach County Code of Ethics, and the Florida Statutes. The firm shall disclose to the Town any possible conflicts of interests. The firm's duty to disclose is of a continuing nature and any conflict of interest shall be immediately brought to the attention of the Town.

CHECK ALL THAT APPLY.

☐ To the best of our knowledge, the undersigned business has no potential conflict of interest for this RFP due to any other clients, contracts, or property interests.

☐ To the best of our knowledge, the undersigned business has no potential conflict of interest for this RFP as set forth in the policies and Code of Ordinances of the Town of Loxahatchee Groves, as amended from time to time.

☐ To the best of our knowledge, the undersigned business has no potential conflict of interest for this RFP as set forth in the Palm Beach County Code of Ethics, as amended from time to time.

☐ To the best of our knowledge, the undersigned business has no potential conflict of interest for this RFP as set forth in Chapter 112, Part III, Florida Statutes, as amended from time to time.

IF ANY OF THE ABOVE STATEMENTS WERE NOT CHECKED, the undersigned business, by attachment to this form, shall submit information which may be a potential conflict of interest due to any of the above listed reasons or otherwise.

THE UNDERSIGNED UNDERSTANDS AND AGREES THAT THE FAILURE TO CHECK THE APPROPRIATE BLOCKS ABOVE OR TO ATTACH THE DOCUMENTATION OF ANY POSSIBLE CONFLICTS OF INTEREST MAY RESULT IN DISQUALIFICATION OF YOUR PROPOSAL OR IN THE IMMEDIATE CANCELLATION OF YOUR AGREEMENT, IF ONE IS ENTERED INTO.

COMPANY OR INDIVIDUAL NAME

AUTHORIZED SIGNATURE

NAME (PRINT OR TYPE)

TITLE, IF A COMPANY

EXHIBIT E

CONFIRMATION OF DRUG-FREE WORKPLACE

In accordance with Section 287.087, Florida Statutes, whenever two or more bids (includes proposals) are equal with respect to price, quality, and service which are received by any political subdivision for the procurement of commodities or contractual services, a bid received from a business that certifies that it has implemented a drug-free workplace program shall be given preference in the award process. In order to have a drug-free workplace program, a business shall:

- (1) Publish a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the workplace and specifying the actions that will be taken against employees for violations of such prohibition.
- (2) Inform employees about the dangers of drug abuse in the workplace, the business's policy of maintaining a drug-free workplace, any available drug counseling, rehabilitation, and employee assistance programs, and the penalties that may be imposed upon employees for drug abuse violations.
- (3) Give each employee engaged in providing the commodities or contractual services that are under bid a copy of the statement specified in subsection (1).
- (4) In the statement specified in subsection (1), notify the employees that, as a condition of working on the commodities or contractual services that are under bid, the employee will abide by the terms of the statement and will notify the employer of any conviction of, or plea of guilty or nolo contendere to, any violation of chapter 893 or of any controlled substance law of the United States or any state, for a violation occurring in the workplace no later than 5 days after such conviction.
- (5) Impose a sanction on, or require the satisfactory participation in a drug abuse assistance or rehabilitation program if such is available in the employee's community by, any employee who is so convicted.
- (6) Make a good faith effort to continue to maintain a drug-free workplace through implementation of this section.

As the person authorized to sign this statement on behalf of _____,
I certify that _____ complies fully with the above requirements.

Authorized Representative's Signature

Date

Name:

Position:

EXHIBIT F

SCRUTINIZED COMPANIES CERTIFICATION

By execution below, I, _____, on behalf of _____ (hereinafter, the "Firm"), hereby swear or affirm to the following certifications:

The following certifications apply to all procurements:

1. The Firm has reviewed section 215.4725, Florida Statutes, section 215.473, Florida Statutes and section 287.135, Florida Statutes, and understands the same.
2. The Firm is not on the Scrutinized Companies that Boycott Israel List nor is the Firm engaged in a boycott of Israel.
3. If awarded a contract, the Firm agrees to require these certifications for applicable subcontracts entered into for the performance of work/services under this procurement.
4. If awarded a contract, the Firm agrees that the certifications in this section shall be effective and relied upon by the Town for the entire term of the contract, including any and all renewals.

If the contract awarded hereunder is for one million dollars or more, the following additional certifications apply:

1. The Firm is not on the Scrutinized Companies with Activities in Sudan List.
2. The Firm is not on the Scrutinized Companies with Activities in the Iran Petroleum Energy Sector List.
3. The Firm is not engaged in business operations in Cuba or Syria.
5. If awarded a contract, the Firm agrees to require these certifications for applicable subcontracts entered into for the performance of work/services under this procurement.
6. If awarded a contract, the Firm agrees that the certifications in this section shall be effective and relied upon by the Town for the entire term of the contract, including any and all renewals.

FIRM:

By: _____ Date: _____

STATE OF FLORIDA

COUNTY OF _____

The foregoing instrument was sworn to (or affirmed) and subscribed before me by means of _____ physical presence or _____ online notarization, this _____ day of _____, 20____, by _____, who is the _____ of _____, who is personally known to me or who has produced _____ as identification.

NOTARY PUBLIC

Printed Name of Notary _____

My Commission expires: _____

EXHIBIT G

**STATE OF FLORIDA
E-VERIFY**

Contract No: _____
Financial Project No(s): _____
Project Description: _____

Firm acknowledges and agrees to the following:

Firm:

1. Shall utilize the U.S. Department of Homeland Security's E-Verify system to verify the employment eligibility of all new employees hired by the Vendor/Firm during the term of the contract; and
2. Shall expressly require any subcontractors performing work or providing services pursuant to the contract to likewise utilize the U.S. Department of Homeland Security's E-Verify system to verify the employment eligibility of all new employees hired by the subcontractor during the contract term.

Company/Firm: _____

Authorized Signature: _____

Title: _____ Date: _____

EXHIBIT H

PROPOSAL COST SHEET

Provide a total all-inclusive maximum price for the provision of the Scope of Services to the Town for Fiscal Year Ending September 30, 2022:

\$ _____ annual fee (all-inclusive not to exceed amount)

\$ _____ fee for single audit, if applicable (all-inclusive not to exceed amount)

Provide a total all-inclusive maximum price for the provision of the Scope of Services to the Town for Fiscal Year Ending September 30, 2023:

\$ _____ annual fee (all-inclusive not to exceed amount)

\$ _____ fee for single audit, if applicable (all-inclusive not to exceed amount)

Provide a total all-inclusive maximum price for the provision of the Scope of Services to the Town for Fiscal Year Ending September 30, 2024:

\$ _____ annual fee (all-inclusive not to exceed amount)

\$ _____ fee for single audit, if applicable (all-inclusive not to exceed amount)

THE ABOVE AMOUNTS INCLUDE SALARY COSTS, FRINGE BENEFITS, OVERHEAD, OPERATING MARGIN AND PROFIT, AND ALL DIRECT AND INDIRECT EXPENSES.

HOURLY RATES ANNUAL FEE BREAKDOWN

POSITION	HOURS/ QUANTITY	FULLY BURDENED HOURLY RATE	EXTENDED AMOUNT

THE HOURLY RATES ABOVE SHALL APPLY TO ALL SERVICES PROVIDED UNDER THE INITIAL THREE YEAR TERM OF THE CONTRACT.

**STATE OF FLORIDA
AUDITOR GENERAL**



**AUDITOR SELECTION
AND
AUDITOR SELECTION COMMITTEE
GUIDANCE**

**EFFECTIVE FOR AUDITS FOR FISCAL YEARS ENDED
SEPTEMBER 30, 2021, AND THEREAFTER**

SEPTEMBER 2021

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Auditor Selection Law

Section 218.391, Florida Statutes,¹ the auditor selection law, establishes required procedures for the selection of auditors to perform the financial audits required by Section 218.39, Florida Statutes, for counties, municipalities, special districts, district school boards, charter schools, and charter career technical centers. These procedures help ensure selection of a qualified auditor and satisfactory audit effort. Section 218.391, Florida Statutes, is included as Appendix A to this document.

The established auditor selection process requires a request for proposal (RFP) for the solicitation of the necessary audit services, and a selection and negotiation process in which fees cannot be the sole or predominant reason for selecting a particular audit firm.

The auditor selection law requires that the governing body of each county, municipality, special district, district school board, charter school, and charter technical career center establish an auditor selection committee. Section 218.391(2)(d), Florida Statutes, provides that while the primary purpose of the auditor selection committee is to assist the governing body in selecting an auditor to conduct the financial audit, the auditor selection committee may serve other audit oversight purposes as determined by the entity's governing body.

The purpose of this document, which was initially prepared by an Auditor Selection Task Force² established by the Auditor General, is to provide additional nonmandatory guidance regarding the auditor selection committee and the selection of auditors for performing the financial audit required by Section 218.39, Florida Statutes. Specifically, this document provides guidance in the following areas:

- Composition of auditor selection committees.
- Responsibilities of auditor selection committees.
- Audit proposal evaluation factors.
- Use and elements of an RFP for audit services.
- Use and elements of audit services contracts.

Additional auditor selection topics are included in Appendix B - Questions and Answers. A listing of resources used to prepare this guidance is included in Appendix C.

This document includes numerous references to guidance from the Government Finance Officers Association (GFOA) for audit committees because such guidance is relevant to auditor selection committees assigned audit oversight responsibilities.

Auditor Selection Committee Composition and Size

Legal Requirements

Section 218.391, Florida Statutes, provides that the auditor selection committee for a county must, at a minimum, include each of the county officers elected pursuant to the county charter or Article VIII, Section 1(d) of the State Constitution, or their respective designees, and one member of the board of county commissioners or its designee. The auditor selection committee for a municipality, special district, district school board, charter school, or charter technical career center must consist of at least three

¹ All statutory references in this guidance are to the 2020 Florida Statutes.

² The Task Force included representatives of the Florida Association of Counties, Florida Association of Court Clerks and Controller, Florida Association of Public Purchasing Officers, Florida Association of Special Districts, Florida Government Finance Officers Association, Florida Institute of Certified Public Accountants, Florida League of Cities, and Florida School Finance Officers Association. Also included were representatives of the Auditor General's Office, the Legislative Auditing Committee, and the former Legislative Committee on Intergovernmental Relations.

members, one of which must be a member of the governing body and who must serve as the committee chair.

No employee of the county, municipality, special district, district school board, charter school, or charter technical career center may serve as a member of the auditor selection committee; however, an employee of the county, municipality, special district, district school board, charter school, or charter technical career center may serve in an advisory capacity.

Nonmandatory Guidance

The effectiveness of an auditor selection committee in performing its assigned duties is dependent on the qualifications and skills of its members and the relationship of the members to the governing body.

GFOA Best Practices³ recommend the following regarding the composition of audit committees, which would also apply to auditor selection committees:

- *Ideally, all members of the committee should possess or obtain a basic understanding of governmental financial reporting and auditing. The audit committee also should have access to the services of at least one financial expert, either a committee member or an outside party engaged by the committee for this purpose. Such a financial expert should through both education and experience, and in a manner specifically relevant to the government sector, possess 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting for estimates, accruals, and reserves; 4) experience with internal controls; and 5) an understanding of audit committee functions.*

For governmental entities experiencing difficulty in acquiring financial expertise on the audit committee, alternative means of acquiring such expertise include, but are not limited to, obtaining assistance from another governmental entity's chief financial officer, engaging an independent financial professional, or providing a training program for audit committee members to develop the necessary financial knowledge.

- *To ensure the committee's independence and effectiveness, no governing body member who exercises managerial responsibilities that fall within the scope of the audit should serve as a member of the audit committee.*

GFOA Best Practices⁴ suggest that the actual audit committee membership be composed of the governing body or a subset of the governing body. Under this approach, it is likely that the entity will need to engage an outside party to obtain the needed experience in governmental financial reporting and auditing. The audit committee members should be provided an orientation on the duties and responsibilities of the committee, including such topics as objectives of internal control, accounting, auditing, and financial reporting to assist in making sound judgments.

- *An audit committee should have sufficient members for meaningful discussion and deliberation, but not so many as to impede its efficient operation. As a general rule, the minimum membership of the committee should be no fewer than three.*

Another factor that could affect the size of the audit committee, particularly in smaller communities, is the availability of individuals who possess both the skills desired of an audit committee member and the willingness to make the commitment to perform effectively as a member. It is important that the entity not compromise these factors, as well as independence considerations, in establishing the size of the audit committee.

³ GFOA's Best Practice: *Audit Committees*.

⁴ GFOA's Best Practice: *Audit Committees*.

- *Members of the audit committee should be educated regarding both the role of the audit committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism.*

GFOA Best Practices⁵ suggest that audit committee members be provided training regarding the audit committee function. This is particularly critical where the committee members are governing body members who may not possess the needed experience in governmental financial reporting and auditing. At a minimum, such training might include making members familiar with this guidance and the publications referenced herein.

Small Government Considerations

Smaller entities may experience difficulty in obtaining the necessary experience in governmental financial reporting and auditing from a source that is independent from financial management of the entity. Qualified persons willing to provide such experience may simply not be available within the community. In such instances, the small entity might consider consulting with larger entities in the area to identify employees or consultants of those entities who might be willing to work with their auditor selection committee. A smaller entity may also opt to include members of the auditor selection committee of the larger entity on its auditor selection committee. Regardless of the method used to provide an auditor selection committee function, ultimate responsibility for the selection of the auditor rests with the governing body.

Auditor Selection Committee Responsibilities

Legal Requirements

The primary purpose of the auditor selection committee, as contemplated in Section 218.391, Florida Statutes, is to assist in the selection of an auditor to conduct the financial audit required by Section 218.39, Florida Statutes.

Section 218.391(3), Florida Statutes, establishes the duties of the auditor selection committee to include:

- Establishment of factors to be used for the evaluation of audit services to be provided by an audit firm.
- Public announcement of an RFP.
- Provision of interested firms with the RFP.
- Evaluation of proposals provided by qualified firms.
- Ranking and recommendation in order of preference of no fewer than three firms deemed to be the most highly qualified to perform the required services. If fewer than three firms respond to the RFP, the committee shall recommend such firms as it deems to be the most highly qualified.

The auditor selection committee may also serve other audit oversight purposes as determined by the entity's governing body.

Nonmandatory Guidance

- Establishment of the Auditor Selection Committee. GFOA Best Practices⁶ advise that the audit committee be formally established by charter, enabling resolution, or other appropriate legal means. Likewise, Florida local governmental entity auditor selection committees should be formally established by charter, ordinance, resolution, or written policies and procedures adopted by the governing body. In addition to addressing the composition of the auditor selection committee (see the previous section, Auditor Selection Committee Composition and Size), the formal means by which the auditor selection committee is established should define the

⁵ GFOA's Best Practice: *Audit Committees*.

⁶ GFOA's Best Practice: *Audit Committees*.

committee's responsibilities and prescribe committee member qualifications consistent with GFOA recommendations.

GFOA Best Practices⁷ recommend that the audit committee be established in such a manner that the auditors engaged to conduct the financial audit report directly to the audit committee. If the auditor selection committee is assigned oversight responsibilities with respect to the independent audit and the establishment of internal controls and adequate management processes, the GFOA's Best Practice: *Audit Committees* (October 2008) should be consulted for additional guidance.

- Auditor Selection Committee Responsibilities. GFOA Best Practices⁸ indicate that an audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. GFOA Best Practices further indicate that, by effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent auditors, through their own review, objectively assess the entity's financial reporting practices.

The GFOA's publication, *Governmental Accounting, Auditing, and Financial Reporting* (2020), also known as the GFOA Blue Book,⁹ indicates that governing bodies are responsible for ensuring that management fulfills its obligations in regard to internal control and financial reporting. The GFOA Blue Book¹⁰ also indicates that governing bodies typically establish audit committees for this purpose and audit committee responsibilities, in addition to audit oversight, include selecting the auditors. Accordingly, although State law assigns this task to the auditor selection committee, consideration should be given to using the auditor selection committee as an audit committee as contemplated by the GFOA.

The GFOA Blue Book¹¹ further indicates that:

- The auditors should report directly to the audit committee.
- The audit committee should have access to the reports of any internal auditors, as well as access to any annual internal audit work plans.
- The audit committee should publish the results of its work in an annual written report to the governing body.

Should the auditor selection committee be assigned audit oversight responsibilities that are in addition to the statutorily mandated auditor selection committee responsibilities (i.e., used as an audit committee as contemplated by the GFOA), consideration should be given to GFOA guidance regarding audit committee responsibilities. For example, the GFOA's *Audit Management Handbook* (GFOA Handbook) recommends that, in addition to auditor selection, the audit committee perform the following functions:

- Monitoring the Audit
 - Monitoring Activity During the Audit. The GFOA Handbook¹² indicates that concerns of interest to the audit committee during the audit would include whether the audit is progressing on schedule and whether potential problems are identified and immediately corrected, if appropriate. Potential problems might include difficulties in gathering information or contacting key personnel, discovery of instances or indications of fraud,

⁷ GFOA's Best Practice: *Audit Committees*.

⁸ GFOA's Best Practice: *Audit Committees*.

⁹ GFOA Blue Book, Chapter 43, page 43-1.

¹⁰ GFOA Blue Book, Chapter 43, pages 43-1 and 43-2.

¹¹ GFOA Blue Book, Chapter 43, pages 43-2 through 43-4.

¹² GFOA Handbook, Chapter 6, pages 87 and 88.

waste, or abuse that require immediate attention, and circumstances that could result in a modified opinion. Monitoring can be accomplished through periodic progress reports or meetings.

- Review of Final Audit Reports. The GFOA Handbook¹³ recommends that the audit committee review each of the auditor's reports to gain a thorough understanding of problems identified by the auditor to provide the background needed to address resolution of the problems. In view of the emphasis placed on management letters in Florida law and the Rules of the Auditor General,¹⁴ an auditor selection committee assigned audit oversight responsibilities should review the management letters required to be submitted as a part of the audit report. For the committee to effectively review the results of the audit, the results must be communicated in a manner that assures a thorough understanding by the committee members. In lieu of relying solely on the delivery of a written audit report, this might be accomplished at a public meeting¹⁵ in which committee members have an opportunity to ask questions of the auditors. This could be done either in addition to, or in conjunction with, a public meeting of the entity's governing body at which governing body members would also have an opportunity to question the auditors. If the findings are presented at a governing body meeting, consideration should be given to a meeting convened solely or predominantly for this purpose to assure that the findings are adequately communicated.

- Audit Resolution

The GFOA Handbook¹⁶ points out that while it is management's responsibility to implement corrective action related to audit findings, the audit committee should be responsible for monitoring management's implementation. The GFOA Handbook suggests that governing bodies may want to require management to answer to the governing body for any failure to implement corrective action plans in a timely manner to the satisfaction of the audit committee.

Specified entities are required by Auditor General Rule 10.558(2) to provide the Auditor General with responses to all audit findings included in their financial audit reports. The responses are required to include corrective action designed to prevent recurrence of any findings included in the audit report.

- Auditor Evaluation

The GFOA Handbook¹⁷ views auditor evaluation as the first step of the subsequent year's audit procurement or, if audit procurement is not scheduled for the subsequent year, a process for identifying and recommending needed improvements in the auditor's performance. The GFOA Handbook recommends that the audit committee meet with management to discuss matters pertaining to the auditor's performance, including: ability to meet deadlines; compliance with other provisions of the audit contract; competence and cooperativeness of the audit staff; and thoroughness and reasonableness of audit adjustments, findings, and recommendations.

In assessing the overall effectiveness of the audit, the auditor selection committee may determine a need for audit procedures that are in addition to the minimum procedures

¹³ GFOA Handbook, Chapter 6, pages 88 through 91.

¹⁴ All references in this guidance to Rules of the Auditor General rules are to *Chapter 10.500, Rules of the Auditor General* effective for fiscal years ending September 30, 2020, and thereafter.

¹⁵ Auditor selection committee meetings are subject to the Sunshine Law (Section 286.011, Florida Statutes) as discussed in question 11 of Appendix B - Questions and Answers.

¹⁶ GFOA Handbook, Chapter 6, page 92.

¹⁷ GFOA Handbook, Chapter 6, page 92.

necessary to issue an opinion on financial statements. Such information would be useful in preparing future requests for proposals.

- Communications with the Auditor Selection Committee. If the auditor selection committee is assigned audit oversight responsibilities (i.e., is acting as an audit committee), effective communication between the auditors and the auditor selection committee is necessary. Financial audits conducted pursuant to Section 218.39, Florida Statutes, must be conducted in accordance with auditing standards generally accepted in the United States¹⁸ and government auditing standards.¹⁹ Auditing standards generally accepted in the United States require that auditors communicate certain matters with the audit committee or other subgroup of those charged with governance²⁰ and communicate with the audit committee regarding internal control-related matters²¹ and identified or suspected noncompliance with laws and regulations.²²

Small Government Considerations

While smaller entities may lack the resources to expand the use of the auditor selection committee to accommodate all or many of the nonmandatory audit oversight functions described above, all entities, regardless of size, are required to use the committee for auditor selection. The entities are encouraged to use the auditor selection committees for the other functions to the extent available in their particular circumstances. Additional discussion regarding the establishment of auditor selection committees by small governments is included in the Auditor Selection Committee Composition and Size section.

Audit Proposal Evaluation Factors

Legal Requirements

Section 218.391(3)(a), Florida Statutes, requires that the auditor selection committee establish factors to be used for the evaluation of audit services to be provided and that such factors include, but not be limited to, ability of personnel, experience, ability to furnish the requested services, and such other factors as may be determined by the committee to be applicable to the particular requirements. Section 218.391(3)(d), Florida Statutes, prohibits the use of compensation as the sole or predominant factor for evaluating proposals.

Nonmandatory Guidance

Consistent with Florida law, GFOA Best Practices²³ state “The audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditor’s ability to perform a quality audit. Price should not be allowed to serve as the sole criterion for selection of an independent auditor.”

- Audit Firm Qualifications. While Florida law prescribes minimal audit firm qualifications that must be considered in selecting an auditor, the *GFOA Handbook*²⁴ describes an evaluation process to be used in selecting the auditor that includes certain mandatory criteria that must be met by the auditor to qualify for further consideration. The criteria listed by the *GFOA Handbook* include:

¹⁸ These standards are promulgated by the AICPA in its publication *AICPA Professional Standards*. All references in this guidance to *AICPA Professional Standards* are to such standards codified as of July 1, 2020.

¹⁹ These standards are promulgated by the Comptroller General of the United States in the publication *Government Auditing Standards*.

²⁰ *AICPA Professional Standards*, AU-C Sections 260.08 -.14.

²¹ *AICPA Professional Standards*, AU-C Sections 265.11 -.15.

²² *AICPA Professional Standards*, AU-C Sections 250.21 -.23.

²³ GFOA’s Best Practice: *Audit Procurement*.

²⁴ GFOA Handbook, Chapter 5, page 79.

- Meets applicable independence requirements.
- License to practice as a CPA in the State.
- Receipt of adequate continuing professional education by key personnel.
- Completion of a quality control review within the past 3 years.
- A history of performing quality audits.
- **Technical Qualifications.** The GFOA Handbook²⁵ indicates that if a point system is used to evaluate proposals, the total points should be divided between two categories for technical qualifications of proposers: (1) expertise and experience and (2) audit approach. Expertise and experience qualifications could include, for example:
 - Past experience and performance on comparable government engagements.
 - Quality of the firm's professional personnel to be assigned to the engagement and quality of the firm's management support personnel to be available for technical consultation.
 - Experience with specific State and Federal grant programs.
 - Information technology expertise.

Audit approach qualifications include, for example:

- Adequacy of proposed staffing plan (hours and level) for the various segments of the engagement.
- Adequacy of sampling techniques.
- Adequacy of analytical procedures.

The GFOA Handbook²⁶ points out that technical qualifications should be tailored to meet each government's unique environment and specific audit requirements and cites as an example a government that sponsors its own pension plan for employees, which might require actuarial expertise. The GFOA Handbook also recommends assignment of point value ranges to each criterion to aid in the evaluation of the technical qualifications of proposers, which allows the entity to reflect the relative importance of the qualifications for that government and engagement (i.e., allows the entity the flexibility to reflect qualitative differences in the qualifications presented in the proposals).

Use and Elements of Request for Proposal

Legal Requirements

Pursuant to Section 218.391(3)(c), Florida Statutes, the auditor selection committee must provide interested audit firms with an RFP. The RFP is required to include information on how proposals are to be evaluated and such other information as the committee determines is necessary for the firm to prepare a proposal.

Nonmandatory Guidance

The GFOA Blue Book²⁷ states that an effective RFP serves two purposes: 1) provides enough information about the entity to allow potential auditors to assess whether their particular experience and resources would be a "good match" for the engagement, and 2) elicit enough information from responding audit firms to assess their ability to perform a high quality government audit.

²⁵ GFOA Handbook, Chapter 5, page 80 and 81.

²⁶ GFOA Handbook, Chapter 5, page 81.

²⁷ GFOA Blue Book, Chapter 43, page 43-13.

- Public Announcement for Audit Services. Section 218.391(3), Florida Statutes, provides that the auditor selection committee shall publicly announce an RFP and provide interested firms with the RFP. To achieve the benefits of a competitive selection process, it is critical that there be sufficient responses by qualified audit firms to the RFP. The GFOA Handbook²⁸ states that a well-planned solicitation effort is needed to identify a sufficient number of qualified audit firms. This can be accomplished in a variety of ways and the law does not mandate any specific method. The method selected should provide sufficient time for the potential responders to prepare an appropriate response. The NIGP: Institute for Public Procurement,²⁹ in its publication *Public Procurement Guide for Elected and Senior Government Officials*,³⁰ indicates that potential service providers should be given a minimum of 14 to 30 days to prepare bids or proposals.

To promote competition, the method of noticing the RFP should be designed to reach as many potential providers of audit services as possible. The GFOA Handbook³¹ identifies several methods for identifying and of reaching qualified audit firms from which proposals can be solicited, including advertisement in local newspapers, notice in a publication of the state society of certified public accountants, inquiries of other entities in the same region, and direct mailing to audit firms. In Florida, the Auditor General maintains a database of local government audit reports received, including the names of the audit firms that conducted the audits, thereby providing another source that entities may find useful for identifying and reaching potential audit firms. If the entity opts to advertise in a newspaper, the newspaper selected should have adequate coverage to assure an opportunity for a sufficient number of responses.

- Elements of the Request for Proposal. The GFOA Handbook³² includes a list of 24 information elements that should be considered in designing an RFP for audit services. These elements generally either provide information to the prospective proposers regarding the RFP evaluation process or assure that adequate information is provided by the proposers to allow for an informed decision by the entity. It may not be necessary to include all of these elements in the RFP, but each element should be considered, and those elements considered to be appropriate for the given circumstances should be incorporated. The elements listed in the GFOA Handbook consist of:

1. *How proposals will be evaluated.*

The RFP should clearly state the factors upon which the selection will be based and could provide:

- a. The relative weights of the evaluation factors, particularly with respect to qualifications and price, when price is considered as one of the evaluation factors.
- b. A statement that price will not be the sole or predominant factor to assure that highly qualified firms will receive appropriate consideration and to discourage the submission of proposals with unrealistically low prices by less qualified firms.
- c. Auditor qualifications that are mandatory for all proposers.
- d. Particular qualifications that will be considered more favorably (e.g., experience with particular grant programs).

²⁸ GFOA Handbook, Chapter 4, page 27.

²⁹ NIGP: Institute for Public Procurement is a membership-based, nonprofit organization composed of members representing Federal, state, provincial and local government levels throughout the United States and Canada and provides support to professionals in the public sector procurement profession.

³⁰ NGIP *Public Procurement Guide for Elected and Senior Government Officials* (2016), page 17.

³¹ GFOA Handbook, Chapter 4, pages 27 and 28.

³² GFOA Handbook, Chapter 4, pages 29 through 45.

2. *Procedures to be followed in the proposal process.*

The prospective proposers who will be incurring the cost of preparing and presenting a proposal will need specific information as to how to respond to the RFP. Such information might include:

- a. The appropriate format to use in making the proposal.
- b. Identification of a contact person.
- c. Whether there will be a pre-proposal conference.
- d. Information regarding the submission of proposed prices (i.e., audit fees), such as the form or timing of submission of the proposed audit fee or the level of detail required to support the proposed audit fee (e.g., number of hours x level of staff at set rate per hour).³³
- e. Other aspects of the proposal process, including submission deadlines, consideration of late proposals, and notification of evaluation and auditor selection results.

3. *Brief description of the entity and its accounting systems and financial reporting structures.*

Prospective proposers require information that will provide a basis for determining the type and amount of resources that will be needed to perform the audit. This information might include:

- a. General description of the entity, including:
 - i. The entity's fiscal year.
 - ii. Services the entity provides its citizens.
 - iii. Organizational chart and key personnel.
 - iv. Size of the entity (e.g., geographic area, number of employees, total budget or payroll).
 - v. The entity's documented policies and procedures.
- b. Fund structure and basis of accounting.
- c. Involvement in Federal awards programs and State financial assistance projects.
- d. Description of pension plans.
- e. Information regarding component units and joint ventures.
- f. Magnitude of financial operations.
- g. Scope of information systems, including networking, software vendors, and major applications.
- h. Existence, size, and scope of the internal audit function.
- i. Contact person for access to prior audit information.

4. *Known weaknesses in the entity's internal control structure.*

Prospective proposers will want to be made aware of significant known internal control deficiencies. This could be accomplished by providing the proposers with a copy of the prior year external audit report (including financial statements, auditor's reports, and management letters), prior year adjusting entries, and the status of prior audit report findings (corrected or uncorrected). It may also be useful to provide proposers recent relevant internal audit reports.

³³ Section 218.391, Florida Statutes, permits consideration of compensation in selecting the auditor; however, Section 218.391(3)(d), Florida Statutes, prohibits the use of compensation as the sole or predominant factor for evaluating proposals. Additionally, Section 218.391(5), Florida Statutes, provides that the method used by the entity to select, and negotiate a contract with, an auditor must ensure that the agreed-upon compensation is reasonable to satisfy the requirements of Section 218.39, Florida Statutes, and the entity's needs.

5. *Anticipated implementation problems arising from new authoritative pronouncements.*

An entity's readiness to implement new pronouncements, laws, or regulations having a significant impact on the entity's financial operations and reporting could impact the auditor's consideration of the resources needed to perform the audit.

6. *Principal contacts inside and outside the entity.*

Examples of contacts that proposers might want to be aware of as individuals with whom they will be expected to interact during the engagement include:

- a. Chief executive officer.
- b. Chief financial officer.
- c. Auditor selection or audit committee members.
- d. Director of internal audit.
- e. Grants management personnel.
- f. Legal counsel.

7. *Level of assurance to be required of the auditor for each type of information contained within the report.*

The auditor will need to be made aware of circumstances that might impact the scope of the audit. Such circumstances might include the audit of the financial statements of a component unit by another audit firm or a determination of compliance with specific legal requirements that will require an auditor's report based on an examination conducted in accordance with *AICPA Professional Standards*³⁴ pursuant to Auditor General Rule 10.556(10).

8. *Auditing standards required for the engagement.*

Pursuant to Florida law³⁵ and Auditor General Rule 10.551(3), all required financial audits of entities in Florida are to be performed in accordance with *Government Auditing Standards* promulgated by the Comptroller General of the United States. The RFP might include a statement to this effect to avoid any misunderstanding.

9. *The auditor's specific reporting responsibilities.*

Although the auditor's reporting responsibilities are described in the auditing standards and the Rules of the Auditor General, the GFOA Handbook recommends listing the reporting responsibilities in the RFP. This could be most easily accomplished by reference to the Rules of the Auditor General, Chapter 10.550 (*Local Governmental Entity Audits*), Chapter 10.800 (*Audits of District School Boards*), or Chapter 10.850 (*Audits of Charter Schools and Charter Technical Career Centers, the Florida Virtual School, and Virtual Instruction Program Providers*), as appropriate. For Florida local governmental entity financial audits, the scope of the work to be performed by the auditor could include:

- a. Expression of opinion in conjunction with a full-scope audit of a comprehensive annual financial report (CAFR) (optional under Florida law and Rules of the Auditor General) or a report on basic financial statements only (minimum requirement for all local government audits).
- b. Federal or state single audit reports (required if certain thresholds are met).
- c. Management letter (required for all local government audits).

³⁴ *AICPA Professional Standards*, AT-C Section 315.

³⁵ Financial audits required by Section 218.39, Florida Statutes, and defined by Section 218.31(17), Florida Statutes, must be conducted in accordance with *Government Auditing Standards*.

- d. An auditor's report prepared in accordance *AICPA Professional Standards* pursuant to Auditor General Rule 10.556(10).

Expected deliverables should also include any requirement for separate opinions for any debt issues or to meet any other reporting requirements.

10. *The type and amount of assistance available from the entity.*

Entities can sometimes reduce the cost of their audits by providing certain assistance to the auditor. To formulate the type and amount of resources to be applied to the audit, the auditor needs information as to the type and extent of assistance that will be available from the entity. The GFOA Handbook refers to various types of assistance including internal audit support, clerical support, and preparation of schedules. A statement might be included acknowledging that the entity is responsible for preparing draft financial statements. Any anticipated concerns regarding the ability of the entity to do so should be disclosed.

11. *Required audit timetable and deliverables.*

The GFOA Handbook recommends that the RFP include the latest acceptable dates for the following:

- a. Entrance conference.
- b. Completion of interim audit work.
- c. Completion of year-end field work.
- d. Submission of audit adjustments and draft findings.
- e. Exit conference.
- f. Issuance of reports.

12. *Additional services to be required of the auditor.*

Auditors often provide additional services beyond audit services; however, the ability of auditors to provide nonaudit services to an audit client has been severely limited by *Government Auditing Standards*. Careful consideration should be given to the restrictions on such services prior to including them in the RFP. *Government Auditing Standards*³⁶ suggest that auditors performing nonaudit services obtain agreement from the entity's management that management will perform the following functions regarding nonaudit services:

- a. Assume all management responsibilities.
- b. Oversee the services using an individual with suitable skill, knowledge, or experience.
- c. Evaluate the adequacy and results of the services.
- d. Accept responsibility for the results of the services.

13. *Information on auditor workspace and access to telephones, copiers, FAX machines, and computers.*

The GFOA Handbook suggests that the RFP include information on the location and type of workspace that will be made available to the auditor, as well as availability of telephones, Internet access, copy machines, FAX machines, and computer hardware and software.

14. *Procedures to be followed to determine if additional audit work is necessary and the fee basis applicable to such work.*

Circumstances sometimes arise in which the scope of the audit may need to be expanded

³⁶ *Government Auditing Standards* (2018 Revision) paragraph 3.76.

beyond what was anticipated in the RFP. For example, an entity might request the auditor to perform additional work in an area where the auditor discovered certain control weaknesses. The GFOA Handbook recommends that the RFP indicate that the scope of the audit may only be broadened with the entity's consent and request that proposers indicate how the fee for additional work related to a scope expansion would be determined.

15. Information needed from proposers to evaluate their qualifications.

A primary purpose of the RFP is to provide the entity with information needed to assess the professional skill and experience of the auditors who will perform the engagement. The GFOA Handbook recommends that the RFP ask for the following information from the proposer:

- a. Overall size of the audit firm.
- b. Location and number of professional staff who will perform the engagement.
- c. Identification and qualifications of personnel to be assigned to the engagement, including:
 - i. Names and government audit experience of the partner in charge of the audit and other partners who will be assigned review or quality control functions.
 - ii. Names of the manager and other supervisory personnel who will be assigned to the engagement, including information about their government audit experience.
 - iii. Information on certification, licensure, and CPE training of each of the above.
 - iv. Information on membership in professional societies (e.g., AICPA, FICPA, FGFOA, GFOA, AGA) of each of the above.
 - v. Background and qualifications, including experience, of all other professional audit or other staff assigned to the engagement.

The GFOA Handbook also recommends that the RFP clearly set forth: (1) the circumstances in which the audit staff may be changed; (2) the need for new staff to meet the same level of qualifications; and (3) the entity's right to reject or approve replacements.

16. Requirement for auditors to furnish a statement that they meet the appropriate criteria for independence.

Auditors are required to maintain independence, both in fact and appearance, regarding audit clients. The GFOA Handbook suggests that the RFP require a formal statement from the proposers that they meet the guidelines for independence as set forth in applicable auditing standards.

17. Request for references from other entity clients.

The GFOA Handbook suggests that the RFP ask proposers to furnish the names of governments (preferably of similar type and size) for which they have recently performed similar audits, and contact information for those governments.

18. Request for information on the results of peer reviews.

*Government Auditing Standards*³⁷ require that auditors performing audits in accordance with those standards (in Florida, this includes local governmental entity financial audits conducted pursuant to Section 218.39, Florida Statutes) undergo external peer review at least once every 3 years. The GFOA Handbook recommends that the RFP ask proposers to provide the entity with a report on their most recent peer review, and whether it included a review of the quality of specific government audits. The RFP could also ask for the results of desk or field reviews of their audits by Federal or state agencies.

³⁷ *Government Auditing Standards* (2018 Revision) paragraph 5.84.

19. *Request for information on the status of any disciplinary actions undertaken against the firm.*

The GFOA Handbook recommends that the RFP request information on whether any disciplinary action has been taken against the firm at the Federal or state level and, if such action has been undertaken, the current status of the action. In Florida, certified public accountants may be subject to punishment for a misdemeanor committed pursuant to Section 473.322(2), Florida Statutes, or to disciplinary action by the Florida State Board of Accountancy pursuant to Section 473.323(3), Florida Statutes.

20. *Request for detailed information on the proposer's anticipated audit approach.*

The GFOA Handbook points out that, in addition to information regarding the proposer's qualifications, the proposer's audit approach should be evaluated to determine that the proposer has a sound understanding of the scope of the engagement and the entity's environment. Additionally, the entity needs assurance that the proposer will apply the appropriate level of effort needed to perform the engagement satisfactorily. The GFOA Handbook recommends that the RFP ask for the following types of information:

- a. The extent to which the firm proposes to employ statistical sampling techniques.
- b. The extent to which the firm proposes to employ analytical procedures.
- c. The manner in which the firm intends to segment the engagement.
- d. The hours of staff time at each level that will be devoted to each segment.
- e. The approach proposed for gaining and documenting the auditor's understanding of the entity's internal controls.
- f. The approach proposed for determining which laws and regulations should be tested for compliance.
- g. The method of drawing samples for tests of compliance.

21. *Requirements applicable to working papers and cooperation with other auditors.*

The GFOA Handbook recommends that the RFP clearly establish the period for retention of the auditors working papers by the auditor and parties who are allowed access to the working papers. In establishing the retention period, the entity should consider that *AICPA Professional Standards*³⁸ require financial statement auditors to retain "audit documentation of any nature" (this would include audit working papers) for at least 5 years after release of the audit report. This should be considered a minimum retention period in drafting an audit services contract. The GFOA Handbook also recommends that the RFP include provisions requiring accessibility to the working papers by Federal cognizant agencies; principal auditors, where component units are audited by other auditors; parties designated by the entity as part of an audit quality control review; and successor auditors for matters relating to continuing accounting significance.

22. *Policy toward joint proposals or the use of subcontracting.*

The use of subcontracting or joint ventures on the part of auditors can be a means for encouraging participation by smaller firms. The GFOA Handbook recommends that any subcontracting after the audit contract is awarded be subject to the entity's right to approve or reject subcontracting firms. Further, if joint proposals or subcontracting is allowed, the RFP should request proposers to identify the firm that will serve as the principal auditor.

23. *Right to reject proposals, demand additional information, and use unsuccessful proposals.*

The GFOA Handbook recommends that the RFP indicate that the entity:

- a. Retains the right to reject any or all proposals.
- b. Retains the right to request additional information from proposers and failure to provide

³⁸ *AICPA Professional Standards*, AU-C Section 230.17.

the information could result in rejection of a proposal.

- c. Reserves the right to retain proposals and use ideas from them.
- d. Is not obligated in any manner to reimburse firms for costs incurred in connection with responding to the RFP.

24. *Any additional language to meet the requirements of applicable laws and regulations.*

The GFOA Handbook suggests that the entity be aware of and include any specific language required by law or regulation.

Use and Elements of Audit Services Contract

Legal Requirements

Section 218.391(7), Florida Statutes, requires that every procurement of audit services be evidenced by a written contract embodying all provisions and conditions of the procurement of such services. An engagement letter signed and executed by both parties constitutes a written contract. The written contract shall include, at a minimum, the following:

- A provision specifying the services to be provided and fees or other compensation for such services.
- A provision requiring that invoices for fees and other compensation be submitted in sufficient detail to demonstrate compliance with the terms of the contract.
- A provision specifying the contract period, including renewals, and conditions under which the contract may be terminated or renewed. Section 218.391(8), Florida Statutes, provides that written contracts may be renewed (pursuant to renewal periods specified in the contract) without the use of auditor selection procedures and that such renewals shall be in writing.

Nonmandatory Guidance

The audit services contract is a legally binding agreement that should be prepared and reviewed with the advice of legal counsel. The GFOA Handbook³⁹ suggests that the written agreement incorporate by reference the terms of the RFP and specific language regarding the understanding between the entity and the auditors. The entity should also be careful to ensure that the written agreement terms are consistent with the terms of the successful proposal.

- **Engagement Letter**. While Section 218.391(7), Florida Statutes, authorizes the use of an engagement letter as an audit services contract, if it is signed by both parties, the use of an engagement letter does not relieve the need to include all provisions that would constitute a good contract and protect both the entity and the auditor.
- **Required Contract Elements**. As indicated above, there are certain legally required elements that must be included in the audit services contract. Additional guidance for each of these elements follows:
 - *Services to be provided and fees or other compensation (Section 218.391(7)(a), Florida Statutes)*. AICPA Professional Standards⁴⁰ indicate that agreed upon terms of the audit engagement should include, among other things, the objective and scope of the audit, the responsibilities of the auditor, and the responsibilities of entity management. AICPA Professional Standards⁴¹ also suggest elaborating on the scope of the audit, to include reference to applicable legislation, regulations, generally accepted auditing standards, and ethical and other pronouncements of professional bodies to which the auditor adheres. Florida law and the Rules of the Auditor General include several requirements that impact the

³⁹ GFOA Handbook, Chapter 6, page 85.

⁴⁰ AICPA Professional Standards, AU-C Section 210.10.

⁴¹ AICPA Professional Standards, AU-C Section 210.A24.

scope of the audit in addition to the required auditor's reports on the financial statements and State and Federal programs. Specifically addressing these requirements in the contract helps to preclude any subsequent misunderstandings regarding the auditor's responsibilities.

- *Invoices for fees and other compensation in sufficient detail to demonstrate compliance with the contract (Section 218.391(7)(b), Florida Statutes).* AICPA Professional Standards⁴² suggest that the basis on which fees are computed and any billing arrangements be included in the engagement letter (contract). The basis for payment may vary from a lump sum arrangement to specific rates to be paid for the services of specific employees or categories of employees of the audit firm and reimbursement for specific costs, such as travel, incurred in connection with the engagement. The level of detail on the invoice sufficient to demonstrate compliance with the terms of the contract will vary according to the basis for payment. In the case of a fixed fee contract, the basis for payment should be clearly defined within the audit services contract. If the contract identifies certain employees for which the firm will be paid at specified hourly rates, the contract should require invoices that indicate the numbers of hours worked by each employee and application of the appropriate rates. If the contract provides for reimbursement for certain actual costs, the contract should require invoices that demonstrate the costs actually incurred by the firm in the form of receipts or similar documentation.
- *Contract period, renewals, and termination (Section 218.391(7)(c), Florida Statutes).* The contract must specify the number of years for which it will be in effect, including any options for renewal on the part of the entity. The law does not prescribe a maximum term for an audit services contract or a maximum number of renewal periods. Once the contract period, including renewals, has expired, any further required audit services must be subjected to the auditor selection law as required by Section 218.391, Florida Statutes.

The GFOA's Best Practice: *Audit Procurement* recommends that governmental entities enter into multiyear agreements of at least 5 years in duration when obtaining the services of an independent auditor. The GFOA points out that such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit and can also help reduce audit costs by allowing auditors to recover certain "start-up" costs over several years, rather than a single year. The appropriate length for the audit services contract is left to the judgment of the entity. However, as the auditor selection process established by law is intended to ensure selection of a qualified auditor and satisfactory audit effort, entities should avoid establishing excessive contract periods.

- Additional Contract Elements. Additional elements that are recommended by the GFOA Handbook⁴³ to be made a part of the audit services contract include:
 - An independence assertion by the auditor.
 - Language describing the actions to be taken in the event of a disagreement as to whether certain procedures are within the scope of the contract.
 - Provisions to assure the availability of the auditor's services to aid the entity in the defense of claims that may arise as the result of audit work.
 - Language concerning opportunities for socially and economically disadvantaged individuals (such language may be required by law or regulation).
 - Clarification of the auditor's duty to maintain the confidentiality of certain sensitive information.

⁴² AICPA Professional Standards, AU-C Section 210.A24.

⁴³ GFOA Handbook, Chapter 6, pages 85 through 87.

- Provisions establishing the entity's rights to terminate the contract and the procedures for doing so.
- Stipulation as to how the value of the auditor's work is to be determined if the engagement is terminated prior to completion.
- Language establishing the auditor's sole liability for claims arising from the auditor's performance of the engagement.
- Language requiring both the entity and the auditor to attempt to resolve disputes amicably.
- Language requiring formal notification to the other party in the event of a disagreement (e.g., a disagreement over the scope of the audit) and indicating what is to be considered notification in such instance (e.g., registered mail).
- Language specifying how the terms of the contract can be waived or modified.
- Language clarifying that the contract's separate provisions are to stand alone, so that a failure to meet one provision does not nullify the entire contract.
- A requirement for the auditor to obtain insurance coverage.
- A prohibition against the auditor's delegating or subcontracting audit work without the entity's permission.

In developing audit contracts, entities should consider an article⁴⁴ titled *Contract Issues for Governmental Audits* that was jointly developed by the AICPA and GFOA to educate governments and their auditors about clauses in contracts and engagement letters in the governmental environment that may not meet *AICPA Professional Standards* and that may create uncertainty about the auditor's independence.

As shown above, different professional organizations have placed varying emphasis on the contents of the contract for audit services. Entity management must determine the most appropriate provisions for a contract in a given set of circumstances. The specific elements and language to be included within a contract will ultimately be a matter of agreement between the entity and the audit firm.

⁴⁴ A link to this article is provided on the AICPA's Web site at www.aicpa.org/search.html?source=AICPA&q=Contract+Issues+for+Governmental+Audits.

Appendix A - Auditor Selection Law

218.391 Auditor selection procedures.

(1) Each local governmental entity, district school board, charter school, or charter technical career center, prior to entering into a written contract pursuant to subsection (7), except as provided in subsection (8), shall use auditor selection procedures when selecting an auditor to conduct the annual financial audit required in s. 218.39.

(2) The governing body of a county, municipality, special district, district school board, charter school, or charter technical career center shall establish an auditor selection committee.

(a) The auditor selection committee for a county must, at a minimum, consist of each of the county officers elected pursuant to the county charter or s. 1(d), Art. VIII of the State Constitution their respective designees, and one member of the board of county commissioners or its designee.

(b) The auditor selection committee for a municipality, special district, district school board, charter school, or charter technical career center must consist of at least three members. One member of the auditor selection committee must be a member of the governing body of an entity specified in this paragraph, who shall serve as the chair of the committee.

(c) An employee, a chief executive officer, or a chief financial officer of the county, municipality, special district, district school board, charter school, or charter technical career center may not serve as a member of an auditor selection committee established under this subsection; however, an employee, a chief executive officer, or a chief financial officer of the county, municipality, special district, district school board, charter school, or charter technical career center may serve in an advisory capacity.

(d) The primary purpose of the auditor selection committee is to assist the governing body in selecting an auditor to conduct the annual financial audit required in s. 218.39; however, the committee may serve other audit oversight purposes as determined by the entity's governing body. The public may not be excluded from the proceedings under this section.

(3) The auditor selection committee shall:

(a) Establish factors to use for the evaluation of audit services to be provided by a certified public accounting firm duly licensed under chapter 473 and qualified to conduct audits in accordance with government auditing standards as adopted by the Florida Board of Accountancy. Such factors shall include, but are not limited to, ability of personnel, experience, ability to furnish the required services, and such other factors as may be determined by the committee to be applicable to its particular requirements.

(b) Publicly announce requests for proposals. Public announcements must include, at a minimum, a brief description of the audit and indicate how interested firms can apply for consideration.

(c) Provide interested firms with a request for proposal. The request for proposal shall include information on how proposals are to be evaluated and such other information the committee determines is necessary for the firm to prepare a proposal.

(d) Evaluate proposals provided by qualified firms. If compensation is one of the factors established pursuant to paragraph (a), it shall not be the sole or predominant factor used to evaluate proposals.

(e) Rank and recommend in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services after considering the factors established pursuant to paragraph (a). If fewer than three firms respond to the request for proposal, the committee shall recommend such firms as it deems to be the most highly qualified.

(4) The governing body shall inquire of qualified firms as to the basis of compensation, select one of the firms recommended by the auditor selection committee, and negotiate a contract, using one of the following methods:

- (a) If compensation is not one of the factors established pursuant to paragraph (3)(a) and not used to evaluate firms pursuant to paragraph (3)(e), the governing body shall negotiate a contract with the firm ranked first. If the governing body is unable to negotiate a satisfactory contract with that firm, negotiations with that firm shall be formally terminated, and the governing body shall then undertake negotiations with the second-ranked firm. Failing accord with the second-ranked firm, negotiations shall then be terminated with that firm and undertaken with the third-ranked firm. Negotiations with the other ranked firms shall be undertaken in the same manner. The governing body, in negotiating with firms, may reopen formal negotiations with any one of the three top-ranked firms, but it may not negotiate with more than one firm at a time.
- (b) If compensation is one of the factors established pursuant to paragraph (3)(a) and used in the evaluation of proposals pursuant to paragraph (3)(d), the governing body shall select the highest-ranked qualified firm or must document in its public records the reason for not selecting the highest-ranked qualified firm.
- (c) The governing body may select a firm recommended by the audit committee and negotiate a contract with one of the recommended firms using an appropriate alternative negotiation method for which compensation is not the sole or predominant factor used to select the firm.
- (d) In negotiations with firms under this section, the governing body may allow a designee to conduct negotiations on its behalf.
- (5) The method used by the governing body to select a firm recommended by the audit committee and negotiate a contract with such firm must ensure that the agreed-upon compensation is reasonable to satisfy the requirements of s. 218.39 and the needs of the governing body.
- (6) If the governing body is unable to negotiate a satisfactory contract with any of the recommended firms, the committee shall recommend additional firms, and negotiations shall continue in accordance with this section until an agreement is reached.
- (7) Every procurement of audit services shall be evidenced by a written contract embodying all provisions and conditions of the procurement of such services. For purposes of this section, an engagement letter signed and executed by both parties shall constitute a written contract. The written contract shall, at a minimum, include the following:
- (a) A provision specifying the services to be provided and fees or other compensation for such services.
- (b) A provision requiring that invoices for fees or other compensation be submitted in sufficient detail to demonstrate compliance with the terms of the contract.
- (c) A provision specifying the contract period, including renewals, and conditions under which the contract may be terminated or renewed.
- (8) Written contracts entered into pursuant to subsection (7) may be renewed. Such renewals may be done without the use of the auditor selection procedures provided in this section. Renewal of a contract shall be in writing.
- (9) If the entity fails to select the auditor in accordance with the requirements of subsections (3)-(6), the entity must again perform the auditor selection process in accordance with this section to select an auditor to conduct audits for subsequent fiscal years.

History.--s. 65, ch. 2001-266; s. 1, ch. 2005-32; s. 15, ch. 2019-15.

Appendix B - Questions and Answers

General

1. **Question:** Are the auditor selection requirements of Section 218.391, Florida Statutes, to be applied whenever a local governmental entity (entity) contracts with a CPA firm for any audit services?

Answer: No. Section 218.391, Florida Statutes, applies only to contracting for the financial audit required by Section 218.39, Florida Statutes. However, the use of selection procedures provided for in Section 218.391, Florida Statutes, and other Federal, State, or local laws is advisable when contracting for any audit services.

2. **Question:** Is there a legal requirement or recommendation for mandatory rotation of auditors after a specified number of years or at the end of an audit services contract?

Answer: No. Unless the entity has established its own mandatory auditor rotation requirement, there is no legal requirement for the mandatory rotation of auditors. The current auditor may be included in the auditor selection process at the end of the current audit services contract.

The GFOA's Best Practice: *Audit Procurement* provides "While there is some belief that auditor independence is enhanced by a policy requiring that the independent auditor be replaced at the end of the audit contract ... the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory auditor rotation counterproductive. In such cases, it is recommended that a governmental entity actively seek the participation of all qualified firms, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory."

3. **Question:** If an entity is satisfied with the existing auditor and can negotiate acceptable fees, can the contract for financial audit services be renewed without going through the auditor selection procedures required by Section 218.391, Florida Statutes?

Answer: A contract for financial audit services can be renewed only as provided in the contract, which is required to include a provision specifying the contract period, including renewals.

4. **Question:** Are the auditor selection procedures required to be used only when an entity decides to change auditors or initiate a request for proposals process?

Answer: No. The revised auditor selection procedures are required to be followed when an audit contract period expires. The audit contract is required to include a provision specifying the contract period, including renewals.

5. **Question:** Chapter 2019-15, Laws of Florida, effective July 1, 2019, amended Section 218.391(2), Florida Statutes, to revise the requirements for establishing the auditor selection committee and appointing committee members. Does this impact an audit services contract that was in effect at July 1, 2019?

Answer: No. An audit services contract that was in effect at July 1, 2019, can remain in effect through the end of the original contract term, including renewals. Entities are required to comply with the new auditor selection committee requirements for auditor selection procedures initiated after July 1, 2019.

6. **Question:** Are audit services contracts required to include renewal option provisions?

Answer: No. The contract is not required to include a renewal provision; however, a contract cannot be renewed in the absence of such a provision.

7. **Question:** Is there a minimum or maximum number of years that an audit contract must cover?

Answer: No. The audit services contract must specify a contract period including renewals, but the law does not specify a minimum or maximum number of years that an audit services contract must cover. This is left to the discretion of the entity and is a matter of agreement between the entity and the audit firm. The entity should use prudent business practices in establishing the contract period.

8. **Question:** Section 218.391(4)(c), Florida Statutes, provides that a governing body may select a firm recommended by the auditor selection committee and negotiate a contract with one of the recommended firms using an appropriate alternative negotiation method. Which specific provisions of the law may be considered nonmandatory under this provision by the application of an alternative methodology?

Answer: Regardless of the negotiation method used, an entity's governing body must establish an auditor selection committee pursuant to Section 218.391(2), Florida Statutes, and the auditor selection committee must perform its functions in accordance with the requirements of Section 218.391(3), Florida Statutes. Regardless of the method used to select the audit firm, compensation may not be the sole or predominant factor used to select the firm (Section 218.391(3)(d) and (4)(c), Florida Statutes).

9. **Question:** Can an auditor selection committee ratify, after the fact, a request for proposal previously developed and issued by City personnel or City personnel's evaluation and ranking of proposals submitted by interested firms?

Answer: No. Pursuant to Section 218.391(3), Florida Statutes, the auditor selection committee is required to create (and provide interested firms with) a request for proposals and to evaluate and rank proposals submitted by interested firms. An auditor selection committee's statutorily prescribed duties may not be delegated to a subordinate or other entity absent statutory authorization (see Attorney General Opinion 2012-31).

10. **Question:** Can an entity select an auditor to conduct a financial audit pursuant to Section 218.39, Florida Statutes, by piggybacking off of another entity's audit contract?

Answer: No. Pursuant to Section 218.391(2), Florida Statutes, an entity seeking such audit services must establish an auditor selection committee and the committee must apply the auditor selection procedures prescribed by Section 218.391(3), Florida Statutes. This law does not include a provision that would allow for piggybacking, and an auditor selection committee's statutorily prescribed function may not be delegated to a subordinate or other entity absent statutory authorization (see Attorney General Opinion 2012-31).

11. **Question:** Are auditor selection committee meetings subject to the Sunshine Law (Section 286.011, Florida Statutes)?

Answer: Yes. Auditor selection committee meetings are subject to the Sunshine Law (i.e., noticing meetings and keeping minutes for all meetings) because the committee is not just fact-finding in nature but also makes decisions in ranking proposals and recommending to the governing body firms deemed to be the most highly qualified to perform the auditing services. See discussion regarding application of the Sunshine law to advisory boards in Part I, Section B.1, of the Attorney General's Government-in-the-Sunshine Manual.

Auditor Selection Committee

12. **Question:** Section 218.391(2)(a), Florida Statutes, provides that the auditor selection committee for a county must, at a minimum, consist of each of the county officers elected pursuant to the county charter or Article VIII, Section 1(d) of the State Constitution or their respective designees and one member of the board of county commissioners or its designee. May a county officer (i.e., clerk of the court, sheriff, property appraiser, tax collector, supervisor of elections, or any other such officer in whom any portion of the fiscal duties of the such officers are under law separately placed)

designate an employee of the county officer to serve in place of the county officer on the county's auditor selection committee?

Answer: Pursuant to Section 218.391(2)(c), Florida Statutes, an employee of a county cannot serve on the county auditor selection committee. The term "employee" is not explicitly defined for purposes of applying this law; however, the term "county" as used in Section 218.391(2)(a), Florida Statutes, encompasses county officers and the board of county commissioners, indicating that the legislature intended the restriction imposed by Section 218.391(2)(c), Florida Statutes, to apply to employees of a county officer or of the board of county commissioners. Accordingly, a county officer may not designate an employee of a county officer to serve in place of the county officer on the county auditor selection committee. However, the employee may serve in an advisory capacity for the auditor selection committee.

13. **Question:** Section 218.391(2)(b), Florida Statutes, provides that the auditor selection committee for a municipality, special district, district school board, charter school, or charter technical career center must consist of at least three members, and one member must be a member of the governing body who must serve as the committee chair. Does this mean that only one member of the governing body may serve on the committee?

Answer: No. The committee can have as many members of the governing body as desired, but at least one member must be a member of the governing body who must be the committee chair.

Dependent Special Districts

14. **Question:** A dependent special district exceeds the audit threshold established by Section 218.39, Florida Statutes, and must provide for a financial audit requirement. Although the district is audited as part of a county or municipality pursuant to Section 218.39(3)(a), Florida Statutes, the district opts to also provide for a separate financial audit. Does the district have to select the auditor for the separate financial audit in accordance with Section 218.391, Florida Statutes?

Answer: No. As the district is not required to provide for a separate financial audit pursuant to Section 218.39, Florida Statutes, it is not required to follow the auditor selection procedures prescribed by Section 218.391, Florida Statutes. However, the use of such selection procedures is advisable to help ensure selection of a qualified auditor and satisfactory audit effort.

15. **Question:** A dependent special district exceeds the audit threshold established by Section 218.39, Florida Statutes, and must provide for a financial audit requirement. The district opts not to be audited as part of a county or municipality pursuant to Section 218.39(3)(a), Florida Statutes, but instead opts to provide for its own financial audit. Does the district have to select the auditor in accordance with Section 218.391, Florida Statutes?

Answer: Yes. As the district is required to provide for a financial audit pursuant to Section 218.39, Florida Statutes, it is required in this situation to follow the auditor selection procedures prescribed by Section 218.391, Florida Statutes.

16. **Question:** A dependent special district does not exceed the audit threshold established by Section 218.39, Florida Statutes; however, the district opts to provide for a financial audit. Does the district have to select the auditor in accordance with Section 218.391, Florida Statutes?

Answer: No. As the district is not required to provide for a financial audit pursuant to Section 218.39, Florida Statutes, it is not required to follow the auditor selection procedures prescribed by Section 218.391, Florida Statutes. However, the use of such selection procedures is advisable to help ensure selection of a qualified auditor and satisfactory audit effort.

Community Redevelopment Agencies

17. **Question:** A community redevelopment agency (CRA) exceeds the audit threshold established by Section 163.387(8), Florida Statutes, and must provide for its own financial audit. Does the CRA have to select the auditor in accordance with Section 218.391, Florida Statutes?

Answer: Yes. Chapter 2021-226, Laws of Florida, amended Section 218.39(1)(h), Florida Statutes, to include CRAs. Because Section 218.391, Florida Statutes, regarding auditor selection procedures applies to all audits conducted pursuant to Section 218.39, Florida Statutes, auditors conducting 2020-21 and subsequent fiscal year audits of CRAs must be selected pursuant to Section 218.391, Florida Statutes.

18. **Question:** A CRA provides for an audit required by Section 218.39, Florida Statutes, by being included in a county or municipality audit pursuant to Section 218.39(3)(a), Florida Statutes; however, the CRA is also required to provide for its own separate financial audit pursuant to Section 163.387(8), Florida Statutes. Can the auditor who conducted the county or municipality financial audit also conduct the separate CRA financial audit?

Answer: Yes. Section 163.387(8), Florida Statutes, does not specify how the CRA is to select an auditor to conduct the required audit and does not include any restrictions on the CRA's selection of an auditor. However, in deciding whether to use the auditor who conducts the CRA's parent entity (county or municipality) financial audit, the CRA should consider whether it would benefit from applying its own auditor selection procedures because, while the parent entity's auditor selection process was designed to find an auditor to conduct a financial audit of a county or municipality, the CRA's selection process should be designed to find an auditor to conduct a financial audit of the CRA. As CRAs are a unique type of local governmental entity, an auditor with the knowledge and experience needed to conduct an audit of a county or municipality may not necessarily have sufficient knowledge and experience needed to conduct an audit of a CRA.

Use of Compensation as Evaluation or Ranking Factor

19. **Question:** If compensation is used as one of the factors to evaluate firms and the governing body of an entity chooses to select a firm other than the auditor selection committee's highest-recommended firm and documents the reason for not selecting the highest-ranked firm pursuant to Section 218.391(4)(b), Florida Statutes, does the next ranked firm become the highest-ranked firm, requiring documentation as to the reason for nonselection, before a firm ranked lower than that firm can be selected?

Answer: The law does not specifically address this circumstance; however, it would be reasonable to conclude that justification is necessary and should be documented for the selection of any firm over a higher ranked firm.

20. **Question:** If compensation is used as one of the factors to evaluate firms and the governing body of an entity chooses to select a firm other than the auditor selection committee's highest-recommended firm pursuant to Section 218.391(4)(b), Florida Statutes, what documentation is required to justify selection of a firm other than the highest-ranked firm?

Answer: Required documentation as to the reason for not selecting the highest-ranked firm under Section 218.391(4)(b), Florida Statutes, is not described in the law. Such documentation could include a statement made by the governing body, possibly in the form of a resolution and included in the minutes of the governing body, describing the factors that caused the governing body to decide that selection of the next ranked firm was in the entity's best interest. Those factors might include inability to negotiate a satisfactory contract with the highest-ranked firm or information provided to the governing body subsequent to the ranking process. However, as specified in Section 218.391(4)(c), Florida Statutes, the decision to select a firm cannot be based on compensation as the sole or predominant factor.

21. **Question:** If compensation is used as a ranking factor, may the governing body also use the alternative method prescribed by Section 218.391(4)(c), Florida Statutes, to select the audit firm or must they use the method prescribed by Section 218.391(4)(b), Florida Statutes?

Answer: The alternative methodology referred to in Section 218.391(4)(c), Florida Statutes, may include the use of compensation as a ranking factor as long as compensation is not the sole or predominant factor used to rank proposals and select the firm.

22. **Question:** If compensation is 20 percent of the ranking criteria and all other factors are each less than 20 percent, is compensation then the predominant factor, or must it be predominant of all factors combined, i.e., greater than 50 percent of all combined?

Answer: “Predominant” is not defined in the law with respect to auditor selection. Certainly, weighting compensation at greater than 50 percent of all combined factors, would constitute “predominant.” Black’s Law Dictionary defines “predominant” as “Something greater or superior in power and influence to others, with which it is connected or compared.”

Noncompliance with Auditor Selection Law

23. **Question:** Pursuant to Section 218.391(9), Florida Statutes, if an entity fails to select the auditor in accordance with Section 218.391(3)-(6), Florida Statutes, the entity must again perform the auditor selection process in accordance with this section to select an auditor to conduct audits for subsequent fiscal years. Does Section 218.391(9), Florida Statutes, apply to a situation where an entity selects an auditor to conduct a financial audit required by Section 218.39, Florida Statutes, without use of an auditor selection committee appointed by the entity’s governing body?

Answer: Yes. An entity cannot comply with Section 218.391(3), Florida Statutes, unless the entity’s governing body has established an auditor selection committee to carry out the responsibilities prescribed by Section 218.391(3), Florida Statutes.

24. **Question:** An entity is notified that its auditor engaged to conduct a financial audit required by Section 218.39, Florida Statutes, was not selected in accordance with the requirements of Section 218.391(3)-(6), Florida Statutes. What should the entity do?

Answer: The entity should carefully review its auditor selection process to ensure compliance with Section 218.391(3)-(6), Florida Statutes. In doing so, the entity may want to consult with its legal counsel. If it is determined that the entity did not select the auditor in accordance with Section 218.391(3)-(6), Florida Statutes, the entity, at a minimum, must perform the auditor selection in accordance with Section 218.391, Florida Statutes, for the subsequent fiscal year audit as required by Section 218.391(9), Florida Statutes. However, if possible (e.g., an audit contract for the current fiscal year has not been executed, or if executed, can be legally terminated without significant financial costs, and there is sufficient time to reselect the auditor and comply with the audit report submittal deadline), the entity should reperform the auditor selection process for the current fiscal year audit.

25. **Question:** An auditor becomes concerned (e.g., through the process of responding to a request for proposal for audit services) that an entity may not be selecting an auditor to conduct a financial audit required by Section 218.39, Florida Statutes, in accordance with the requirements of Section 218.391(3)-(6), Florida Statutes. What should the auditor do?

Answer: The auditor should notify the entity’s governing body of the concern. The entity may not be aware of the Section 218.391, Florida Statutes, auditor selection requirements or that its auditor selection process is not in accordance with that law. At a minimum, the auditor’s notification should help ensure the entity’s future compliance with Section 218.391, Florida Statutes. Also, depending on the timing of the auditor’s notification, the entity may decide to reperform the auditor selection process. Auditors should also consider refraining from responding to a request for proposal for audit services from entities they know to be in violation of Section 218.391, Florida Statutes.

Appendix C - Auditor Selection and Auditor Selection Committee Resources

AICPA Audit Committee Effectiveness Center
(www.aicpa.org/forthepublic/auditcommitteeeffectiveness)

AICPA Professional Standards promulgated by the American Institute of Certified Public Accountants as of July 1, 2020.

Audit Management Handbook, Stephen J. Gauthier, Government Finance Officers Association (1989) (Note: Publication of this *Handbook* was discontinued several years ago as a result of 1996 changes to the Federal Single Audit Act and changes in GFOA policy; however, the references to the *Handbook* in this guidance are consistent with current GFOA policy.)

Choosing an External Auditor: A Guide to Making a Sound Decision, Mid-America Intergovernmental Audit Forum (May 2007)
(https://www.pdfFiller.com/100306568-Choosing_an_External_Auditorpdf-Selecting-performance-audit-topics-PSC-doa-alaska-)

GFOA's Best Practice: *Audit Procurement*, Government Finance Officers Association
(www.gfoa.org/best-practices/internal-controls)

GFOA's Best Practice: *Audit Committees*, Government Finance Officers Association
(www.gfoa.org/best-practices/internal-controls)

Government Accounting, Auditing, and Financial Reporting (2020), Government Finance Officers Association

Government Auditing Standards issued by the Comptroller General of the United States
(www.gao.gov/yellowbook)

How to Avoid a Substandard Audit: Suggestions for Procuring an Audit (May 1988), National Intergovernmental Audit Forum (www.gao.gov/products/137493)

Public Procurement Guide for Elected and Senior Government Officials promulgated by the NIGP: Institute for Public Procurement (2016) (www.nigp.org/home/find-procurement-resources/elected-officials-procurement-guide)