

TOWN OF MANGONIA PARK, FLORIDA
FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT THEREON

SEPTEMBER 30, 2013

TOWN OF MANGONIA PARK, FLORIDA
 SEPTEMBER 30, 2013

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NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
315 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 342
WEST PALM BEACH, FLORIDA 33402-0017
TELEPHONE (561) 639-9600
FAX (561) 835-0628
WWW.NHMFPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, CPA
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, CPA
TERRY L. MORTON, JIL, CPA
N. RONALD BENNETT, CPA, ABV, CFP, CPA
ALEXANDER VARGA, CFP, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCHIA, CFP, CPA

KATHLEEN A. MINER, CPA
L. MICHAEL STEVENS, CPA
JARRETT A. PERRY, CPA
KARLA D. PETERSON, CFP, CPA
MARK J. DYMETER, CFP, CPA
RYAN M. SHORE, CPA
TIMOTHY H. SCHWELBES, CPA
WEI PAN, CPA

INDEPENDENT AUDITOR'S REPORT

BELLE GLADE OFFICE
388 S.E. 3rd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33489-0338
TELEPHONE (561) 995-5612
FAX (561) 995-6348

The Honorable Mayor and
Members of the Town Council
Town of Mangonia Park, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Mangonia Park, Florida (the Town) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town'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 of 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.

Basis for Qualified Opinions

Because of inadequacies in the Town of Mangonia Park, Florida's internal controls and accounting records related to capital assets, we were unable to form opinions regarding the amounts of capital assets and the related accumulated depreciation reported in the accompanying Statement of Net Position for the governmental activities and business-type activities (stated at the net amounts of \$1,863,262 and \$306,839, respectively). Also, we were unable to form opinions regarding the amounts of capital assets and the related accumulated depreciation reported in the accompanying Statement of Net Position for the Water and Sewer Utility Fund (stated at the net amount of \$306,839) or the amount of depreciation and amortization expense reported in the accompanying Statement of Revenues, Expenses, and Changes in Fund Net Position for the Water and Sewer Utility Fund (stated at \$134,470).

Qualified Opinions

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the Water and Sewer Utility Fund of the Town of Mangonia Park, Florida as of September 30, 2013, and the respective changes in the financial position, and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund of the Town of Mangonia Park, Florida, as of September 30, 2013, and the respective changes in financial position 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 9 and budgetary comparison information on pages 40 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2014, on our consideration of the Town of Mangonia Park, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mangonia Park's internal control over financial reporting and compliance.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
January 14, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Mangonia Park, Florida ("Town") we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2013. Since the Management's Discussion and Analysis (MD&A) is designed to focus on current year's activities and events, please read it in conjunction with the Town's Independent Auditor's Report, basic financial statements, accompanying notes, and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the fiscal year ended September 30, 2013, resulting in a net position balance of \$5,613,314. Of this amount, \$3,511,874 is unrestricted net position which may be used to meet the Town's ongoing obligations to citizens and creditors.
- The change in the Town's net position in comparison with the prior year was an increase of \$193,927. The key components of the Town's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- As of September 30, 2013, the Town's General Fund reported ending fund balance of \$2,575,908, a decrease of \$674,378 in comparison with the prior year. Of the total fund balance, \$2,463,464 is unassigned and available for spending at the Town's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by property taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, physical environment, and culture and recreation. The business-type activities of the Town include the water and sewer operation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that has 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. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Proprietary Fund

The Town maintains one type of proprietary fund, an enterprise fund. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for the operations of the water and sewer system within the Town.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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, assets exceeded liabilities at the close of the most recent fiscal year.

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

	NET POSITION					
	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 2,672,114	\$ 3,383,161	\$ 1,076,411	\$ 769,352	\$ 3,748,525	\$ 4,152,513
Capital assets, net of depreciation	1,863,262	1,342,719	306,839	404,626	2,170,101	1,747,345
Total assets	<u>4,535,376</u>	<u>4,725,880</u>	<u>1,383,250</u>	<u>1,173,978</u>	<u>5,918,626</u>	<u>5,899,858</u>
Current liabilities	33,271	110,427	95,287	126,622	128,558	237,049
Long-term liabilities	59,529	69,406	117,225	174,016	176,754	243,422
Total liabilities	<u>92,800</u>	<u>179,833</u>	<u>212,512</u>	<u>300,638</u>	<u>305,312</u>	<u>480,471</u>
Net position						
Net investment in capital assets	1,863,262	1,342,719	190,832	234,283	2,054,094	1,577,002
Restricted	47,346	8,850			47,346	8,850
Unrestricted	<u>2,531,968</u>	<u>3,194,478</u>	<u>979,906</u>	<u>639,057</u>	<u>3,511,874</u>	<u>3,833,535</u>
Total net position	<u>\$ 4,442,576</u>	<u>\$ 4,546,047</u>	<u>\$ 1,170,738</u>	<u>\$ 873,340</u>	<u>\$ 5,613,314</u>	<u>\$ 5,419,387</u>

A portion of the Town's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. They are funds restricted for police education and the building department. The remaining balance of unrestricted net position may be used to meet the Town's other obligations.

The Town's net position decreased during the most recent fiscal year. The majority of this decrease represents the degree to which property taxes have declined and current economic conditions.

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

CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 223,257	\$ 135,930	\$ 832,121	\$ 769,910	\$ 1,055,378	\$ 905,840
Operating grants and contributions	3,230	1,600			3,230	1,600
Capital grants and contributions	40,487	50,381			40,487	50,381
General revenues:						
Property taxes	1,232,070	1,261,771			1,232,070	1,261,771
Utility and franchise fees	400,489	377,343			400,489	377,343
Intergovernmental revenue	669,735	413,513			669,735	413,513
Unrestricted investment earnings	8,397	14,567	985	1,150	9,382	15,717
Miscellaneous	72,096	45,046			72,096	45,046
Total revenues	2,649,761	2,300,151	833,106	771,060	3,482,867	3,071,211
Expenses:						
Governmental activities:						
General government	500,492	589,379			500,492	589,379
Public safety	1,753,217	1,769,930			1,753,217	1,769,930
Physical environment	214,086	180,610			214,086	180,610
Culture and recreation	71,823	42,124			71,823	42,124
Business - type activities:						
Water and sewer utilities			749,322	679,454	749,322	679,454
Total expenses	2,539,618	2,582,043	749,322	679,454	3,288,940	3,261,497
Excess (deficiency) before transfers	110,143	(281,892)	83,784	91,606	193,927	(190,286)
Transfers	(213,614)		213,614			
Increase (decrease) in net position	(103,471)	(281,892)	297,398	91,606	193,927	(190,286)
Net position, beginning	4,546,047	4,827,939	873,340	781,734	5,419,387	5,609,673
Net position, ending	\$ 4,442,576	\$ 4,546,047	\$ 1,170,738	\$ 873,340	\$ 5,613,314	\$ 5,419,387

Governmental activities

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2013, was \$2,539,618. The majority of the costs of the Town's activities were paid by general revenues. General revenues comprised primarily of property taxes, revenue sharing, and franchise fees. General revenues decreased during the current fiscal year primarily due to a fall in property taxes, due to economic conditions.

Business-type activities

Business-type activities reflect the operations of the water and sewer facilities within the Town. The costs of operations are covered primarily by charges to customers.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUND ON THE FUND BASIS

As the Town of Mangonia Park completed the year, the general fund reported a fund balance of \$2,575,908, a decrease of \$674,378 from the previous fiscal year. The decrease was due to a reduction in ad valorem taxes and an increase in capital outlay expenditures.

The general fund ended the 2013 fiscal year with \$65,098 in nonspendable fund balance, \$47,346 in restricted fund balance, and \$2,463,464 in unassigned fund balance.

FINANCIAL ANALYSIS OF THE PROPRIETARY FUND

Total net position of the water and sewer fund at the end of the fiscal year 2013 was \$1,170,738. The net position of the water and sewer fund has increased \$297,398 from the prior year. This increase is related to a transfer from the General Fund to write off prior year advances. Water rates were not changed and there were not any major improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the Town pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is at the department level. Actual general fund expenditures were \$499,777 more than the final budget amounts. Revenues were \$463,872 more than the final budget amounts. The variances were due to capital outlay expenditures relating to the Hill Avenue drainage project and the related grant revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2013, the Town has a total of \$2,170,101 (net of accumulated depreciation) invested in capital assets for its government and business-type activities. This investment in capital assets totaling \$5,650,636, less accumulated depreciation of \$3,480,535, consists of land, property, infrastructure improvements, equipment and utility improvements. Additional information on the Town's capital assets can be found in Note 7 in the Notes to the Financial Statements.

Debt Outstanding

At September 30, 2013, the Town's business-type activities debt had debt outstanding of \$117,225. No new debt was issued during the year and the Town had no immediate need to issue additional debt. Additional information on the Town's long-term debt can be found in Note 8 in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's 2014 fiscal year budget includes items that continue to accomplish the goals of the Town. These goals include enhancing the level of services, increasing the responsiveness of the local government to the needs of the public and enhancing the Town's recreational facilities. General fund revenue projections are comparable to the previous years.

- There is not a change in user rate fees for fiscal year 2014.
- The millage rate stayed consistent at 9.80 mills.
- Increase in ad valorem taxes of 6.5% due to decrease in gross taxable value.

TOWN-WIDE GOALS AND OBJECTIVES

- The Town is expected to operate in its regular civic-service focused fashion, bringing its residents a variety of services. The Town is constantly expanding existing relationships and continues to look for new opportunities to provide even more services to the public. Additionally, several avenues have been researched for the aesthetic enhancement of the Town's local park, specifically via grant funding from Palm Beach County and the Community Development Block Grant. Future projects may include sewer projects for Pioneer Hill and a portion of the Bryn-Mawr (Boardman Avenue) Subdivisions; various after-school, athletic and senior citizen programs. The maintaining of the Park's infrastructure and the renovation of the old fire station, now a community center, has proven to be beneficial, as it brings an extra source of revenue for the Town.
- The Administration is continuing to seek grant funding from the State of Florida, Department of Environmental Protection for storm water drainage improvements.
- The Administration will confirm the collection of all appropriate developer agreement fees related to current and upcoming development within the Town. These fees will supplement the cost of having sufficient and adequate water and sewer capacity at the Town's utility plant.
- The Administration has applied for local, state and federal grants for planned major capital improvements. The proposed capital improvements will improve the Utility Plant's infrastructure; as a result, the Town will experience a significant decrease in expenses for repairs. The Town has been awarded local grants for the installation of sewer on Pioneer Road in the Pioneer Hill Subdivision and Boardman Avenue in the Bryn-Mawr Subdivision.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town of Mangonia Park's finances for all of those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lee Leffingwell, Town Manager Town of Mangonia Park 1755 East Tiffany Drive, Mangonia Park, Florida 33407.

TOWN OF MANGONIA PARK, FLORIDA
Statement of Net Position
September 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,567,222	\$ 821,027	\$ 2,388,249
Investments	990,245	17,901	1,008,146
Accounts receivable, net	146,815	100,798	247,613
Internal balances	(78,262)	78,262	
Deferred charges		1,218	1,218
Prepays	7,929	4,154	12,083
Assets held for resale	38,165		38,165
Restricted assets			
Cash and cash equivalents		53,051	53,051
Capital assets			
Non-depreciable	876,139	32,938	909,077
Depreciable (net)	987,123	273,901	1,261,024
Total assets	<u>4,535,376</u>	<u>1,383,250</u>	<u>5,918,626</u>
Liabilities			
Accounts payable	27,348	17,369	44,717
Deferred revenue	5,923		5,923
Accrued interest payable		2,749	2,749
Deposits		22,118	22,118
Deposits payable from restricted assets		53,051	53,051
Non-current liabilities			
Due within one year	11,610	117,225	128,835
Due in more than one year	47,919		47,919
Total liabilities	<u>92,800</u>	<u>212,512</u>	<u>305,312</u>
Net Position			
Net investment in capital assets	1,863,262	190,832	2,054,094
Restricted for			
Police education	10,551		10,551
Building department	36,795		36,795
Unrestricted	2,531,968	979,906	3,511,874
Total net position	<u>\$ 4,442,576</u>	<u>\$ 1,170,738</u>	<u>\$ 5,613,314</u>

See notes to the financial statements

TOWN OF MANGONIA PARK, FLORIDA
Statement of Activities
For the Year Ended September 30, 2013

Function/Program Activities	Expenses	Program Revenues	
		Charges For Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 500,492	\$ 199,023	\$ 3,230
Public safety	1,753,217	23,034	
Physical environment	214,086		
Culture and recreation	71,823	1,200	
Total governmental activities	<u>2,539,618</u>	<u>223,257</u>	<u>3,230</u>
Business-type activities:			
Enterprise-water and sewer utility	<u>749,322</u>	<u>832,121</u>	
Total business-type activities	<u>749,322</u>	<u>832,121</u>	
Total government	<u>\$ 3,288,940</u>	<u>\$ 1,055,378</u>	<u>\$ 3,230</u>

General revenues:
Property taxes
Utility and franchise fees
Intergovernmental not restricted to specific programs
Investment earnings
Miscellaneous
Transfers
Total general revenues

Change in net position

Net position, beginning of year
Net position, end of year

Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 40,487	\$ (257,752)	\$	\$ (257,752)
	(1,730,183)		(1,730,183)
	(214,086)		(214,086)
	(70,623)		(70,623)
<u>40,487</u>	<u>(2,272,644)</u>		<u>(2,272,644)</u>
		82,799	82,799
		<u>82,799</u>	<u>82,799</u>
<u>\$ 40,487</u>	<u>(2,272,644)</u>	<u>82,799</u>	<u>(2,189,845)</u>
	1,232,070		1,232,070
	400,489		400,489
	669,735		669,735
	8,397	985	9,382
	72,096		72,096
	(213,614)	213,614	
	<u>2,169,173</u>	<u>214,599</u>	<u>2,383,772</u>
	(103,471)	297,398	193,927
	4,546,047	873,340	5,419,387
<u>\$ 4,442,576</u>	<u>\$ 1,170,738</u>	<u>\$ 5,613,314</u>	

See notes to the financial statements

TOWN OF MANGONIA PARK, FLORIDA
Balance Sheet
Governmental Fund
September 30, 2013

	General
Assets	
Cash and cash equivalents	\$ 1,567,222
Investments	990,245
Assets held for resale	38,165
Accounts receivable, net	146,815
Prepays	7,929
Total assets	\$ 2,750,376
Liabilities and fund balances	
Liabilities	
Accounts payable	\$ 27,348
Due to other funds	78,262
Deferred revenue	68,858
Total liabilities	174,468
Fund balances	
Nonspendable	
Prepaid	7,929
Non-current investment	19,004
Asset held for resale	38,165
Restricted	
Police education	10,551
Building department	36,795
Unassigned	2,463,464
Total fund balances	2,575,908
Total liabilities and fund balances	\$ 2,750,376

See notes to the financial statements

TOWN OF MANGONIA PARK, FLORIDA
Reconciliation of the Balance Sheet - Governmental Fund
to the Statement of Net Position
Governmental Fund
September 30, 2013

Fund balances - total governmental funds \$ 2,575,908

Amounts reported for governmental activities in the statement of net assets 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	\$ 3,500,181	
Less accumulated depreciation	<u>(1,636,919)</u>	
		1,863,262

Governmental funds do not include revenues collected after 60 days of year end and are therefore deferred. Government-wide reporting recognizes revenues when they are earned, regardless of when they are collected.

Grant revenues		62,935
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Long-term liabilities, including compensated absences 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:

Claims and settlements	(46,441)	
Compensated absences	<u>(13,088)</u>	
		<u>(59,529)</u>

Net position of governmental activities		<u><u>\$ 4,442,576</u></u>
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See notes to the financial statements

TOWN OF MANGONIA PARK, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Fund
For the Year Ended September 30, 2013

	General
Revenues	
Taxes	\$ 1,232,070
Licenses and permits	178,566
Utility and franchise fees	400,489
Intergovernmental	327,781
Fines and forfeitures	23,034
Grants	341,954
Interest income	8,397
Miscellaneous	96,983
Total revenues	2,609,274
Expenditures	
Current	
General government	441,499
Public safety	1,764,827
Physical environment	165,129
Culture and recreation	49,594
Capital outlay	648,989
Total expenditures	3,070,038
Excess (deficiency) of revenues over (under) expenditures	(460,764)
Other financing sources (uses):	
Transfers in (out)	(213,614)
Total other financing sources (uses)	(213,614)
Net change in fund balances	(674,378)
Fund balances, beginning of year	3,250,286
Fund balances, end of year	\$ 2,575,908

See notes to the financial statements

TOWN OF MANGONIA PARK, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of the Governmental Fund to the Statement of Activities
For the Year Ended September 30, 2013

Net change in fund balances - total governmental funds \$ (674,378)

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	\$ 639,533	
Less: current year depreciation	<u>(118,990)</u>	
		520,543

Governmental funds report revenues when measurable and available. However, in the Statement of Activities, revenues are recognized when earned, regardless of availability.

Prior year grant revenue	(22,448)	
Current year grant revenue	<u>62,935</u>	40,487

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 claims and settlements	11,610	
Change in long-term compensated absences	<u>(1,733)</u>	
		<u>9,877</u>

Change in net position \$ (103,471)

See notes to the financial statements

TOWN OF MANGONIA PARK, FLORIDA
Statement of Net Position
Proprietary Fund
September 30, 2013

	<u>Water and Sewer Utility</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 821,027
Investments	17,901
Accounts receivable, net	100,798
Due from other funds	78,262
Deferred charges	1,218
Prepaid expense	4,154
Restricted assets	
Cash and cash equivalents	<u>53,051</u>
Total current assets	<u>1,076,411</u>
Non-current assets	
Capital assets	
Non depreciable	32,938
Depreciable (net)	<u>273,901</u>
Total non-current assets	<u>306,839</u>
Total assets	<u>1,383,250</u>
Liabilities	
Current liabilities	
Accounts payable	17,369
Notes payable - current portion	117,225
Accrued interest payable	2,749
Deposits	22,118
Payable from restricted assets	
Deposits	<u>53,051</u>
Total current liabilities	<u>212,512</u>
Total liabilities	<u>212,512</u>
Net Position	
Net investment in capital assets	190,832
Unrestricted	<u>979,906</u>
Total net position	<u>\$ 1,170,738</u>

See notes to the financial statements

TOWN OF MANGONIA PARK, FLORIDA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2013

	Water and Sewer Utility
Operating revenue	
Charges for services	\$ 773,202
Other miscellaneous	58,919
Total operating revenues	832,121
Operating expenses	
Personal services	225,443
Professional services	88,714
Operations	195,357
Utilities and communications	41,719
Repairs and maintenance	56,811
Depreciation and amortization	134,470
Total operating expenses	742,514
Operating income	89,607
Nonoperating revenues (expenses)	
Investment earnings	985
Interest expense	(6,808)
Total nonoperating revenues (expenses)	(5,823)
Net income before transfers	83,784
Transfers in (out)	213,614
Total transfers	213,614
Change in net position	297,398
Net position - beginning	873,340
Net position - ending	\$ 1,170,738

See notes to the financial statements

TOWN OF MANGONIA PARK, FLORIDA
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2013

	<u>Water and Sewer Utility</u>
Cash flows from operating activities:	
Receipts from customers	\$ 760,751
Payments to suppliers for goods or services	(421,780)
Payments to employees for services	(225,443)
Net cash provided (used) by operating activities	<u>113,528</u>
Cash flows from non-capital financing activities:	
Repayment of advance from other funds	(330,504)
Transfers from (to) other funds	213,614
Net cash provided (used) by non-capital financing activities	<u>(116,890)</u>
Cash flows from capital and related financing activities:	
Interest paid on debt	(4,059)
Principal paid on debt	(56,791)
Acquisition of capital assets	(34,228)
Net cash provided (used) by capital and related financing activities	<u>(95,078)</u>
Cash flows from investing activities:	
Purchase of investments	(116)
Interest and dividends on investments	985
Net cash provided (used) by investing activities	<u>869</u>
Net increase (decrease) in cash and cash equivalents	(97,571)
Cash and cash equivalents at beginning of year	971,649
Cash and cash equivalents at end of year	<u><u>\$ 874,078</u></u>
Reconciliation of operating income (loss)	
to net cash provided by operating activities:	
Operating income	<u>\$ 89,607</u>
Adjustments to reconcile operating income (loss)	
to net cash provided by operating activities:	
Depreciation and amortization	134,470
Change in assets and liabilities	
(Increase) decrease in accounts receivable	(23,103)
(Increase) decrease in prepaid	(621)
(Increase) decrease in due from other funds	(52,741)
Increase (decrease) in accounts payable	(38,558)
Increase (decrease) in deposits	4,474
Total adjustments	<u>23,921</u>
Net cash provided by operating activities	<u><u>\$ 113,528</u></u>
Cash and cash equivalents:	
Unrestricted	\$ 821,027
Restricted	53,051
Total	<u><u>\$ 874,078</u></u>

See notes to the financial statements

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Mangonia Park, 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 of Mangonia Park, Florida, was initially chartered in 1947. In 1971 the Charter was abolished and reestablished by Chapter 71-762 Laws of Florida. The Town is governed by an elected Mayor, Vice Mayor, and Town Council, which appoint a Town Manager. The Town provides the following services to its residents: public safety, sanitation, road and street facilities, parks, planning and zoning, general administrative services, and water and sewer utilities. The Town Council is responsible for legislative and fiscal control of the Town.

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 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. 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 Mangonia Park has determined that there are no legally separate entities to consider as potential component units.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

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 non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. 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 is 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds 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, as are the proprietary fund financial statements. 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.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's water and sewer function and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. The 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, and intergovernmental revenues, 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 fund:

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

Proprietary Funds

Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. 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. Operating expenses report on the costs to maintain the proprietary systems, 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 MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

The Town reports the following major proprietary fund:

The Water and Sewer Fund was established to account for the operations of the water and sewer utility services to Town residents.

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.

All property is reassessed according to its fair market value on January 1 of each year, which is also the lien date. 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. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest of 18% per year. 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.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts and money market accounts. For the purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

The Town has not adopted a written investment policy. Florida Statutes authorize units of local government electing not to adopt a written investment policy to invest in the following instruments:

- a. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Interest-bearing time deposits or savings accounts in qualified public depositories.
- d. Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

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

Restricted Assets

Restricted assets in the enterprise fund consist of customer utility deposits and amounts set aside to comply with the debt covenants.

Accounts Receivable

Accounts receivable of the General Fund and the Water and Sewer Fund consists of billed and unbilled receivables. An allowance for doubtful accounts has not been provided for accounts receivables because the Town feels all receivables are collectible.

Inventory

Inventories are valued at cost determined on a first-in, first-out basis. For governmental funds the Town accounts for inventories using the consumption method, under which expenditures are recognized only when inventory items are used.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Assets

Capital assets, which include plant, property, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks) are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements. Capital assets are defined by the government as assets with an estimated life in excess of one year and an initial cost of more than \$1,000. Such assets are recorded at cost or the fair market value of the assets at the time of purchase or contribution. The Town is a Phase 3 government under GASB 34 and has elected not to report major general infrastructure assets retroactively. Depreciation has been provided over the useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	30 years
Equipment	3-10 years
Roadway improvements	30 years
Building and park improvements	5-10 years
Water and wastewater infrastructure	40 years

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

Deferred Outflow/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will not be recognized as expenditures until the future period to which it applies. Currently, the Town does not report any Deferred Outflows of Resources.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will not be recognized as revenue until the future period to which it applies. Currently, the Town does not report any Deferred Inflows of Resources.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

Deferred Charges

In a prior year, the Town incurred certain cost which were capitalized and are being amortized on a straight line basis.

Interest Cost

Interest costs in governmental funds are charged to expenditures as incurred. Construction period interest incurred in governmental funds is not capitalized. Construction period interest incurred in proprietary funds is capitalized and included in the cost of the assets in accordance with generally accepted accounting principles.

Interfund Transactions

Transactions between funds consist of loans, services provided, reimbursements, or transfers. The current portion of interfund loans are reported in the fund financial statements as “due from other funds” and “due to other funds” while the non-current portion of interfund loans are reported as “advances to other funds” and “advances from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. Services deemed to be reasonably equivalent in value, are treated as revenue and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost. All other interfund transactions are presented as transfers.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

The government reports deferred revenue on its government wide statement of net position, proprietary statement of net position, and governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Fund Balance

Fund balance is the difference between assets and liabilities reported in governmental funds. There are five possible components of fund balance:

1. Nonspendable fund balances – Includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories, prepaid amounts, and long term investments with restrictions on sales. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale. However, if the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification (restricted, committed, or assigned), rather than the nonspendable fund balance.
2. Restricted fund balance – Includes amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance – Includes amounts that can be used only for specific purposes pursuant to constraints imposed by 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 taking the same type of action employed to previously commit those amounts.
4. Assigned fund balance – Includes amounts intended to be used by the Town for specific purposes, but are neither restricted nor committed. Intent shall be expressed by the Town Council.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

5. Unassigned fund balance – Includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the Town's policy to reduce restricted amounts first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Town's policy to reduce committed amounts first, followed by assigned amounts, then unassigned amounts.

Net Position

Equity in the government-wide and enterprise fund statements are classified as net position and displayed in the following three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by: a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or b) law through constitutional provisions of enabling legislation.
3. Unrestricted net position – Consists of all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Use of Estimates

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

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 2 – BUDGETARY INFORMATION

The Town is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

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

For the year ended September 30, 2013, the Physical environment – Road/streets department expenditures exceeded appropriations by \$619,081.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2013, the carrying amount of the Town's deposits was \$2,441,300 and the bank balances totaled \$2,611,571. Town deposits include checking accounts and money market accounts.

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits are considered insured for custodial credit risk purposes.

Investments

The State Board of Administration is part of the Local Governments Surplus Funds Trust Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The State Board of Administration is divided into two separate pools. Florida PRIME, (Local Government Surplus Funds Trust Fund Investment Pool) consists of all money market appropriate assets. Pool B, (Surplus Funds Trust Fund) consists of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk.

At September 30, 2013, Florida PRIME was assigned a "AAA(m)" principal stability fund rating by the Standard and Poor's Ratings. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balance should also be considered its fair value. Fund B is not considered a SEC 2a7-like fund and is not rated by any nationally recognized rating agency.

Fund B is accounted for as a fluctuating NAV pool. The fair value factor for September 30, 2013, was 1.13262284. The factor should be multiplied by the account balance in order to calculate the fair value of the investment in Fund B.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2013, was 44 days. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

The weighted average life (WAL) of Fund B at September 30, 2013, was 4.04 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates for Fund B as of September 30, 2013.

As of September 30, 2013, the Town of Mangonia Park had \$988,995 invested in Florida PRIME. The cost basis of Fund B as of September 30, 2013, was \$16,927 and the fair value and adjusted book value was \$19,151, for a total investment value of \$1,008,146. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill their obligations. The Town's investment policies limit its investments to high quality investments to control credit risk. At September 30, 2013, Florida PRIME was rated "AAA(m) by Standard and Poor's Ratings Services. Fund B is not rated by any nationally recognized rating agency.

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 does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at September 30, 2013, for the Town’s major funds are as follows:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Accounts – billed	\$	\$ 68,167	\$ 68,167
Accounts – unbilled		10,322	10,322
Due from other governments	22,076	22,309	44,385
Utility and franchise fees	61,102		61,102
Grants	63,637		63,637
Subtotal	<u>146,815</u>	<u>100,798</u>	<u>247,613</u>
Less: allowance for uncollectibles			
Net receivable	<u>\$ 146,815</u>	<u>\$ 100,798</u>	<u>\$ 247,613</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds

The composition of interfund receivables and payables at September 30, 2013, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and Sewer	General	\$78,262

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Transfers to/from other funds

The following is a summary of interfund advances for the year ended September 30, 2013:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General	Water and Sewer	\$213,614

The transfer between funds results from the write off of prior years’ General Fund advances.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 6 – RESTRICTED ASSETS

As of September 30, 2013, the Town had the following restricted assets for its proprietary fund:

Customer utility deposits	<u>\$53,051</u>
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NOTE 7 – CAPITAL ASSETS

Capital asset activity governmental-type activities for the fiscal year ended September 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 142,987	\$	\$	\$ 142,987
Construction in progress	104,445	628,707		733,152
Total capital assets, not being depreciated	<u>247,432</u>	<u>628,707</u>		<u>876,139</u>
Capital assets, being depreciated				
Municipal complex	1,562,483			1,562,483
Roadway improvements	189,986			189,986
Park	523,389	10,826		534,215
Equipment	337,358			337,358
Total capital assets, being depreciated	<u>2,613,216</u>	<u>10,826</u>		<u>2,624,042</u>
Less accumulated depreciation for:				
Municipal complex	(1,070,201)	(52,605)		(1,122,806)
Roadway improvements	(26,479)	(6,333)		(32,812)
Park	(185,617)	(21,262)		(206,879)
Equipment	(235,632)	(38,790)		(274,422)
Total accumulated depreciation	<u>(1,517,929)</u>	<u>(118,990)</u>		<u>(1,636,919)</u>
Total capital asset, being depreciated, net	<u>1,095,287</u>	<u>(108,164)</u>		<u>987,123</u>
Governmental activities, capital assets, net	<u>\$ 1,342,719</u>	<u>\$ 520,543</u>	<u>\$</u>	<u>\$ 1,863,262</u>

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation was allocated as follows:

General government	\$ 52,605
Physical environment	45,123
Culture and recreation	<u>21,262</u>
	<u>\$118,990</u>

Capital asset activity business-type activities for the fiscal year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 32,938	\$	\$	\$ 32,938
Construction in progress				
Total capital assets, not being depreciated	32,938			32,938
Capital assets, being depreciated				
Buildings	27,249			27,249
Improvements other than buildings	7,055			7,055
Utility plant and improvements	1,736,186			1,736,186
Utility equipment	312,799	34,228		347,027
Total capital assets, being depreciated	2,083,289	34,228		2,117,517
Less accumulated depreciation for:				
Buildings	(27,249)			(27,249)
Improvements other than buildings	(7,055)			(7,055)
Utility plant and improvements	(1,427,845)	(114,632)		(1,542,477)
Utility equipment	(249,452)	(17,383)		(266,835)
Total accumulated depreciation	(1,711,601)	(132,015)		(1,843,616)
Total capital asset, being depreciated, net	371,688	(97,787)		273,901
Business-type activities, capital assets, net	\$ 404,626	\$ (97,787)	\$	\$ 306,839

Total interest costs incurred and paid on all Town debt for the year ended September, 30, 2013, were \$6,808 and \$4,059 respectively. No interest was capitalized in the Water and Sewer fund.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 8 – LONG-TERM LIABILITIES

Note Payable - The Town Council adopted Resolution No. 99-11 authorizing the execution of a loan agreement for the purpose of financing the acquisition and improvements of the Mangonia Park Utility Company in the amount of \$1,300,000. The loan is secured by water and wastewater charges for services and public service taxes of the Town. Principal and interest payments are due semi-annually each April 1 and October 1, commencing October 1, 1999, with a final maturity date of April 1, 2014. The interest rate on the loan is 4.69%.

The Town covenants to fix, establish and maintain rates, taxes and other fees and charges to provide:

- Gross revenues, together with any other pledged revenues, sufficient to pay the cost of operation of the System and the principal and interest on the note as they become due and payable, and;
- Net revenues (charges for services and public service taxes exclusive of amortization and depreciation) of at least one hundred twenty five percent (125%) of the annual debt service requirement. At September 30, 2013, the criteria was met.

Claims and Settlements - As of September 30, 2012, there is a governmental liability of \$58,051 due to the City of West Palm Beach for the Consumer Price Index adjustment over the last five years on the comprehensive fire services contract. The settlement is due in five equal annual installments of \$11,610 beginning October 1, 2012.

Changes in long-term liability activity for the fiscal year ended September 30, 2013, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Claims and Settlements	\$ 58,051	\$	\$ (11,610)	\$ 46,441	\$ 11,610
Compensated absences	11,355	1,733		13,088	
Total	<u>\$ 69,406</u>	<u>\$ 1,733</u>	<u>\$ (11,610)</u>	<u>\$ 59,529</u>	<u>\$ 11,610</u>
Business-type activities					
Note Payable	<u>\$ 174,016</u>	<u>\$</u>	<u>\$ (56,791)</u>	<u>\$ 117,225</u>	<u>\$ 117,225</u>

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Annual claims and settlement requirements to maturity, which are payable by the governmental activities, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>
2014	\$ 11,610
2015	11,610
2016	11,610
2017	11,611
Total	<u>\$ 46,441</u>

Annual debt service requirements to maturity, which are payable by the proprietary fund, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 117,274</u>	<u>\$ 1,394</u>	<u>\$ 118,668</u>

NOTE 9 – DEFINED CONTRIBUTION PLAN

The Town of Mangonia Park Pension Plan is a defined contribution pension plan established by the Town and administered by ICMA to provide benefits at retirement to the employees of the Town.

All full-time employees are eligible to participate in the plan after twelve months of service with the Town. The Town contributes 11% of all other employees' base salary each month. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested after seven years of continuous service. Town contributions for, and interest forfeited by employees who leave employment before three years of service, are used to reduce the Town's current period contribution amount. Plan revisions and contribution requirements are established and may be amended by the Town Council.

The Town's covered payroll for the year ended September 30, 2013, was \$186,908. The Town's pension contribution was \$20,540 which was equal to required contribution.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS

The Town implemented Governmental Accounting Standards Board Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for the Postemployment Benefits Other Than Pensions*, effective October 1, 2010. The Town elected to implement prospectively, and the change in accounting principle had no effect on changes in net position/fund equity for prior periods. Retirees of the Town pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. The implied subsidy constitutes other postemployment benefits (OPEB) under GASB 45.

Plan Description

The Town provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

Funding Policy

The Town does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Town for active employees by its healthcare provider. However, the Town's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equal the total age-adjusted costs paid by the Town or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

Annual OPEB Cost and Net OPEB Obligation

The annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45.

The Town's actuaries determined that based on the Town's current defined contribution pension plan and the available retirement experience, it can be reasonably assumed that retirement age would be 65. With this as the assumed retirement age, the plan's insurance benefit would become secondary to Medicare if a retiree were to select the Town's coverage. As such, there is currently no implicit liability to report for retirees.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Contingency

The Town filed a complaint on May 3, 2012, to foreclose on three statutory code enforcement liens recorded against a single property. The case has recently been settled. The settlement agreement states that the property owner will pay the Town's attorney's fees and costs, and make partial payment of certain code enforcement liens. The property owner has breached the settlement agreement. A new foreclosure action was filed against the property owner by one of their mortgage holders. This new litigation names the Town, and seeks to foreclose the Town's code enforcement liens all together.

Construction Commitments

As of September 30, 2013, the Town had commitments on outstanding construction contracts relating to the drainage project of approximately \$751,850.

Interlocal Agreements

City of West Palm Beach

On October 1, 2012, the Town renewed their Interlocal Service Agreement with the City of West Palm Beach (the City) for comprehensive fire services within the municipal boundaries of the Town. Under the agreement, the City will provide full fire protection and incidental emergency medical services for a term of five years, expiring September 30, 2017. The Town will pay the City \$290,094 per annum. The fee is payable in monthly installments and is subject to annual adjustments based on the Consumer Price Index not to exceed five percent in any year. The Town paid \$290,094 for these services for the fiscal year ended September 30, 2013.

Palm Beach County Sheriff's Office

The Town renewed their agreement with the Palm Beach County Sheriff's Office (PBSO) to provide law enforcement services. The fee is payable in monthly installments and is subject to annual renewals. The contract has been extended through September 30, 2014. The Town paid \$1,364,992 to PBSO for law enforcement services during the fiscal year ended September 30, 2013. The Town has extended the contract and will pay \$1,392,292 for the period October 1, 2013 through September 30, 2014.

Palm Beach County

The Town entered into a lease agreement with Palm Beach County for certain property which shall be used for the operation of the Palm Beach County Sherriff's substation. The lease is for a term not to exceed 20 years but provides for earlier termination. Rent for the use and occupancy of the premises shall be an annual gross rental of \$1.00.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 12 – 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 for which the Town carries commercial insurance. The Town has not significantly reduced insurance coverage from the prior year, and there were no settled claims which exceeded insurance coverage during the past three fiscal years.

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.

NOTE 13 – NEW ACCOUNTING STANDARDS

Below is a brief description and effective date of new accounting standards that could have a significant impact on the Town's financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental reporting entity by resolving conflicting guidance that resulted from the issuance to two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans primarily through enhanced note disclosures and schedules of required supplementary information. This statement is effective for the fiscal year ending September 30, 2014. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Financial Statements
September 30, 2013

NOTE 13 – NEW ACCOUNTING STANDARDS (Continued)

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This statement is effective for the fiscal year ending September 30, 2015. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68.

NOTE 14 – ACCOUNTING CHANGE

The Town implemented the following GASB Statements during the fiscal year ended September 30, 2013:

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, classifies all sources of generally accepted accounting principles for state and local governments so that the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statements users.

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of financial position. This statement redefines certain assets and liabilities as “deferred outflows of resources” or “deferred inflows of resources.” It further requires the “Capital asset, net of debt” now be titled “Net investment in capital assets” and that the last line of the statements, previously called “Net assets” now be titled “Net position.”

TOWN OF MANGONIA PARK, FLORIDA
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2013

	General Fund			Variance With
	Original Adopted Budget	Final Revised Budget	Actual	Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,238,800	\$ 1,238,800	\$ 1,232,070	\$ (6,730)
Licenses and permits	97,650	97,650	178,566	80,916
Franchise fees	382,000	382,000	400,489	18,489
Intergovernmental	334,352	334,352	327,781	(6,571)
Fines and forfeitures	15,500	15,500	23,034	7,534
Grants			341,954	341,954
Interest income	6,000	6,000	8,397	2,397
Miscellaneous	71,100	71,100	96,983	25,883
Total revenues	<u>2,145,402</u>	<u>2,145,402</u>	<u>2,609,274</u>	<u>463,872</u>
Expenditures:				
Current:				
General government				
Legislative	70,172	70,172	68,238	1,934
Administration	419,736	419,736	377,916	41,820
Total general government	<u>489,908</u>	<u>489,908</u>	<u>446,154</u>	<u>43,754</u>
Public safety				
Law enforcement	1,370,993	1,370,993	1,371,748	(755)
Fire service	290,850	290,850	301,704	(10,854)
Building/code enforcement/engineering	91,350	91,350	91,375	(25)
Total public safety	<u>1,753,193</u>	<u>1,753,193</u>	<u>1,764,827</u>	<u>(11,634)</u>
Physical environment				
Public works	151,974	151,974	117,056	34,918
Solid waste	7,000	7,000	6,533	467
Road/streets	55,000	55,000	674,081	(619,081)
Total physical environment	<u>213,974</u>	<u>213,974</u>	<u>797,670</u>	<u>(583,696)</u>
Culture and recreation				
Parks	103,186	103,186	61,387	41,799
Reserves (contingency)	10,000	10,000		10,000
Total expenditures	<u>2,570,261</u>	<u>2,570,261</u>	<u>3,070,038</u>	<u>(499,777)</u>
Excess (deficiency) of revenues over (under) expenditures	(424,859)	(424,859)	(460,764)	(35,905)
Other financing sources:				
Operating transfer out			(213,614)	(213,614)
Appropriation of prior year's fund balances	424,859	424,859		(424,859)
Total other financing sources	<u>424,859</u>	<u>424,859</u>	<u>(213,614)</u>	<u>(638,473)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$</u>	<u>\$</u>	(674,378)	<u>\$ (674,378)</u>
Fund balance, beginning of year			3,250,286	
Fund balance, end of year			<u>\$ 2,575,908</u>	

TOWN OF MANGONIA PARK, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
General Fund
September 30, 2013

Note 1 - Budgets and Budgetary Accounting

As required by GASB Statement No. 34, a budgetary comparison schedule is presented for the General Fund. The procedures for establishing budgetary data reflected in the budgetary comparison schedule are described in Note 2 to the financial statements on page 28. Budgets are adopted on a basis consistent with generally accepted accounting principles. Formal budgetary integration is employed within the accounting system as a management control device. Appropriations are legally controlled at the department level and expenditures may not legally exceed budgeted appropriations at that level.

Note 2 - Excess of expenditures over appropriations

For the year ended September 30, 2013, the following departments had expenditures in excess of ap

Law enforcement	\$	755
Fire service		10,854
Building/code enforcement/engineeri		25
Road/streets		619,081



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.NHMCPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, CPA
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, CPA
TERRY L. MORTON, JR., CPA
N. DONALD BENNETT, CPA, ARM, CFP, CPA
ALEXIA S. WAHGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP, CPA

KATHLEEN A. MINER, CPA
J. MICHAEL STEVENS, CPA
JANETTA A. PERRY, CPA
KARLA U. PETERSON, CFE, CPA
MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CPA
TIMOTHY H. SCHMIDT, CPA
WEI PAN, CPA

BELLE GLADE OFFICE
303 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 896-6612
FAX (561) 896-6248

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

The Honorable Mayor and
Members of the Town Council
Town of Mangonia Park, 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, each major fund and the aggregate remaining fund information of the Town of Mangonia Park, Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Mangonia Park, Florida's basic financial statements and have issued our report thereon January 14, 2014. The report on the Statement of Net Position for the governmental activities and business-type activities, the Statement of Net Position for the Water and Sewer Utility Fund and the Statement of Revenues, Expenses, and Changes in Fund Net Position for the Water and Sewer Utility Fund were qualified because of inadequacies in the Town of Mangonia Park, Florida's internal controls and accounting records relating to capital assets and the related accumulated depreciation and depreciation expense.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Mangonia Park, 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 Mangonia Park, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Mangonia Park, Florida's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described below to be material weaknesses.

Finding 2009-02 – Capital Assets Record Keeping

Condition: During the course of the audit, we noted that the Town did not have a detailed listing of capital assets. The preparation of detailed capital asset records aids in the accounting for additions, disposals and provides controls to safeguard the assets. The detailed capital assets schedule should include at a minimum:

- Description, asset number, and location
- Acquisition cost and date of the acquisition
- Assigned life and method of depreciation
- Depreciation taken on an annual basis with the accumulation thereof

A schedule of additions and disposals should be maintained as assets are purchased to simplify the process of capitalizing property and equipment at year end. The additions schedule should include the date the assets is acquired, a description of the asset, the vendor name, and the amount. The invoices for asset acquisition and invoices for all other disbursements should be kept on file in a manner that allows retrieval of the invoice for review and verification as needed by management and auditors. Capital asset disposals should have a disposal form that describes the asset, the reason for the disposal and any proceeds received. The disposal form should be approved by the Town Manager or Council. In addition, a physical count of capital assets should be taken on an annual basis, compared to the items on the detailed capital asset record, and significant differences investigated.

Criteria: Accurate and timely records should be kept for internal and external financial reporting.

Effect: Because of inadequacies in internal controls and accounting records relating to capital assets, we were unable to form opinions regarding the amounts of capital assets and related accumulated depreciation and depreciation expense for the governmental activities, business-type activities and the Water and Sewer Utility fund.

Recommendation: We recommend that the Town establish policies and procedures to monitor fixed assets more closely in the future and work more diligently to properly record fixed assets.

Management Response: The Town has purchased the Fixed Assets Module from the same software company it uses for all other programs to properly manage the day-to-day operation of the Town. Additionally, the Town was understaffed at the time the Fixed Assets Module was purchased. The Town has currently assigned this task to one (1) staff member for its implementation to resolve this matter.

Finding 2012-01 – Grant Administrating and Monitoring

Condition: During the fiscal year ended September 30, 2013, various grants were administered by several different staff positions as well as an outside agency. As a result, staff had difficulties in locating grant files and supporting documentation and in ascertaining the status of some of the grants.

Criteria: To have effective internal controls over grant administration and compliance, it is important that there is one person responsible for administering and monitoring compliance over all Town grant programs with review and oversight by another person.

Effect: This results in difficulties in locating grant documentation, ascertaining grant status, late filing of reimbursement requests, failure to file required quarterly reporting and untimely recording of grant transactions.

Recommendation: We recommend someone be designated to oversee grants. We also recommend that policies and procedures be put in place for the evaluation of all grant proposals before submission. Also, a standard set of policies and procedures should be developed for monitoring grant administration and compliance requirements. These procedures should include developing checklists of grant administration and compliance requirements, deadlines, recording transactions, and designating a person/department responsible for the grant and review process.

Management Response: Unfortunately, the Town is not in a position to hire an individually specifically for grants. The Town is currently developing policies and procedures to comply with these grant requirements and will use the existing staff for grant monitoring.

Compliance and Other Matters

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

Town of Mangoina, Park, Florida's Response to Findings

The Town of Mangonia Park, Florida's responses to the findings identified in our audit are described above. The Town of Mangonia Park, Florida's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 & Mimer, P.A.

West Palm Beach, Florida
January 14, 2014



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 327
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3666
FAX (561) 837-0608
WWW.NHDMCPA.COM

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

KATHLEEN A. MINER, CPA
J. MICHAEL STEVENS, CPA
JARRETT A. PERRY, CPA
KARA D. PETERSON, CFE, CPA
MAUR J. UPMASCH, CFE, CPA
RYAN M. SHCHEL, CPA
TIMOTHY H. SCHWEISS, CPA
WEIPAN, CPA

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

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 696-6612
FAX (561) 696-6246

The Honorable Mayor and
Members of the Town Council
Town of Mangonia Park, Florida

We have audited the financial statements of the Town of Mangonia Park, Florida, as of and for the year ended September 30, 2013, and have issued our report thereon dated January 14, 2014. The report on the Statement of Net Position for the governmental activities and business-type activities, the Statement of Net Position for the Water and Sewer Utility Fund and the Statement of Revenues, Expenses, and Changes in Fund Net Position for the Water and Sewer Utility Fund were qualified because of inadequacies in the Town of Mangonia Park, Florida's internal controls and accounting records relating to capital assets and the related accumulated depreciation and depreciation expense.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated January 14, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local government entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

PRIOR YEAR COMMENTS WHICH CONTINUE TO APPLY

The Rules of the Auditor General require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

We noted that the following comments made in the prior year were adequately addressed and no longer apply:

- 2009-01 Accounting Records
- 2011-01 Journal Entries

As noted in the 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*, Finding 2009-02 is a prior year comment that continues to apply. This comment was included in the audit reports for the prior two years. Finding 2012-01 is a prior year comment that continues to apply. The other prior year comment that was included in the prior two years that continues to apply is Finding 2011-03, which is presented below.

Finding 2011-03 – Excess of Expenditures Over Appropriations

As reported in Note 2 to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on page 41 for the year ended September 30, 2013, there were departments with expenditures in excess of budgeted amounts contrary to Section 166.241(2), Florida Statutes.

Management Response: The Town submits to the Town Council a monthly review of the bills and vouchers for approval through the Agenda process; additionally, the Town did indeed implement procedures for budget review. The Town will enforce the process of seeking budget amendments when necessary to reflect proper line item compliance.

CURRENT YEAR COMMENTS

Investment of Public Funds

Rules of the Auditor General require our audit to include a review of the Town's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

Recommendations to Improve Financial Management

Rules of the Auditor General require that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we noted the following item:

Finding: 2013-01 Purchasing Policy

Condition: The Town has written policies and procedures in place for cash disbursements. We noted a few instances where the procedures were not being followed. We recommend the Town follow the written policies and procedures for cash disbursements and consistently apply them.

Management's Response: Although the staff has been extremely careful in its receipt, review, processing and execution of purchases made, there may have been a receipt that was misplaced or lost. Additionally, when receiving bids and/or quotes, the Town will scan and attach them to the purchase requisitions for signature.

Noncompliance with Provisions of Contracts or Grant Agreements, or Abuse

Rules of the Auditor General require that we address 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 for the fiscal year ended September 30, 2013, we did not have any such findings.

Oversight Unit and Component Units

Rules of the Auditor General require 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. The Town of Mangonia Park was initially chartered in 1947. In 1971 the Charter was abolished and reestablished by Chapter 71-762 Laws of Florida. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the Town has determined that there are no potential component units operating within the jurisdiction of the Town that would be required to be considered for inclusion in the financial reporting entity.

Consideration of Financial Emergency Criteria

Rules of the Auditor General require a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, the results of our procedures did not disclose that the Town has met any of the conditions described in Section 218.503(1) during the fiscal year ended September 30, 2013.

Annual Financial Report

Rules of the Auditor General require that we determine whether the annual financial report for the Town of Mangonia Park, Florida for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we noted that the two reports were in substantial agreement.

Financial Condition Assessment Procedures

Rules of the Auditor General require that we apply financial condition assessment procedures. It is management's responsibility to monitor the Town of Mangoina Park, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. In connection with our audit for the fiscal year ended September 30, 2013, we applied financial condition assessment procedures. The results of our procedures did not disclose any matters that are required to be reported.

Response to Management Letter

The Town's responses to the findings identified in our audit are described above and in the 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*. We did not audit the Town's responses and, accordingly, we express no opinion on them.

We appreciate the courtesy and cooperation shown us by your officials and employees.

If you have any questions or wish to discuss these comments further, we would be pleased to meet with you at your convenience.

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
January 14, 2014