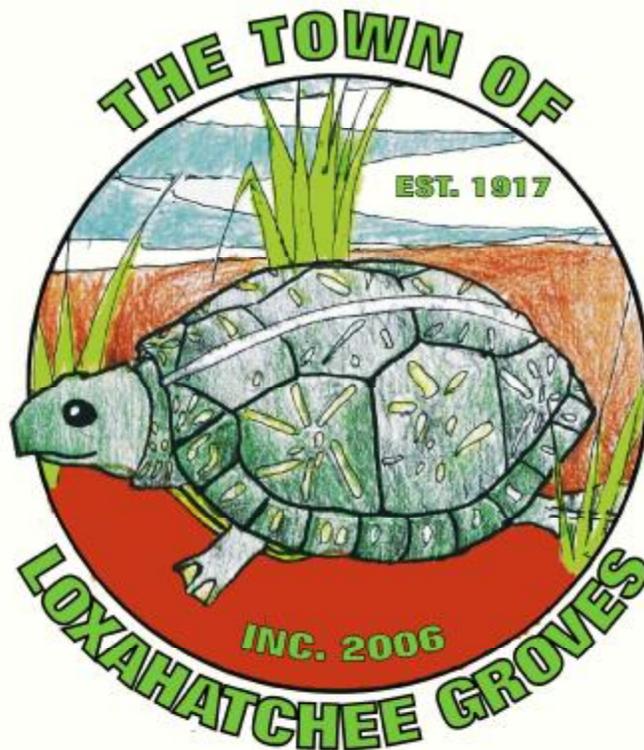


**TOWN OF LOXAHATCHEE GROVES,
FLORIDA**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2010

TOWN OF LOXAHATCHEE GROVES, FLORIDA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

PREPARED BY:
THE TOWN OF LOXAHATCHEE GROVES
FINANCE DEPARTMENT

TOWN OF LOXAHATCHEE GROVES, FLORIDA
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INTRODUCTORY SECTION



Town of Loxahatchee Groves

4579 Southern Blvd, Suite 2, Loxahatchee Groves, Florida 33470 (561) 793-2418 Fax (561) 793-2420 clerk@loxahatcheegroves.org

May 17, 2011

To The Honorable Mayor and Members of the Town Council
14579 Southern Blvd., Suite 2
Loxahatchee Groves, Florida 33470

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Loxahatchee Groves, Florida, for the fiscal year ended September 30, 2010, pursuant to Section 218.39 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and the Town Charter. The financial statements included in this report conform to generally accepted accounting principles in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. The financial statements have been audited by Nowlen, Holt & Miner, P.A., Certified Public Accountants. The independent auditor has issued an unqualified opinion that this report fairly represents the financial position of the Town in conformity with GAAP.

PROFILE OF THE GOVERNMENT

The Town of Loxahatchee Groves (the "Town") is a political subdivision of the State of Florida located in Palm Beach County (the "County") incorporated in November 2006. The Town has a population estimated at 3,200 residents living within 12.5 square miles. The Town is a rural-residential community with a limited commercial district.

The Town operates under a Council-Manager form of government in which the Town elects five council members, one of whom is the Mayor. Council members are elected for three year terms. The Town Council determines the policies that guide the Town's operations and hire a Town Manager to implement and administer these policies that guide the Town's operations and implement these policies on a full-time basis. The Town functions under the basis of "Government Lite and Contract Form of Government" with no employees.

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

The Town Council must approve all other budget adjustments as well as any supplemental appropriations. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and is subject to future appropriations.

ECONOMIC CONDITION AND OUTLOOK

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

During 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. For the fiscal year ending September 30, 2010, the maximum tax levy allowed by a majority vote of the governing body is based on a percentage reduction applied to the prior year property tax revenue. The percentage reduction is calculated based on the annual growth rate in the per capita property taxes levied for the fiscal year ended September 30, 2009. For the fiscal year ending September 30, 2011 the Town Council adopted a rate of 1.4 mills. This millage rate results in a total tax levy of \$277,299, representing a reduction of \$43,584 or 13% from the property tax levy for 2010. Future property tax growth is limited to the annual growth rate of per capita personal income, which is currently minimal, plus the value of new construction.

The impact of the ongoing recession and declining property values are a central influence in decisions made during the current fiscal year, as well as, in next year's budget. The combination of the current recession and collapse of the housing market have resulted in declining property values and in a large loss of tax dollars. Additionally, there is current proposed legislation that could place further restrictions on the amount of property taxes a municipality in Florida could levy.

LONG TERM FINANCIAL PLAN

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

FINANCIAL INFORMATION

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

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

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

INDEPENDENT AUDIT

In accordance with Florida Statutes Section 218.39, the Town has engaged the firm of Nowlen, Holt & Miner, P.A., to perform the independent audit of the Town's financial statements for the year ended September 30, 2010. The Independent Certified Public Accountants' report is presented in the financial section of this Comprehensive Annual Financial Report.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Loxahatchee Groves for its comprehensive annual financial report for the fiscal year ended September 30, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and the Town's audit firm, Nowlen, Holt & Miner, P.A.. We wish to express our appreciation to the staff for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

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

Respectfully submitted,



FRANK R. SPENCE
Town Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Loxahatchee Groves
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

TOWN OF LOXAHATCHEE GROVES

List of Elected Town Officials

September 30, 2010

Council-Manager Form of Government

TOWN COUNCIL

David W. Browning, Mayor

Dennis C. Lipp, Vice Mayor

Ronald D. Jarriel, Councilmember

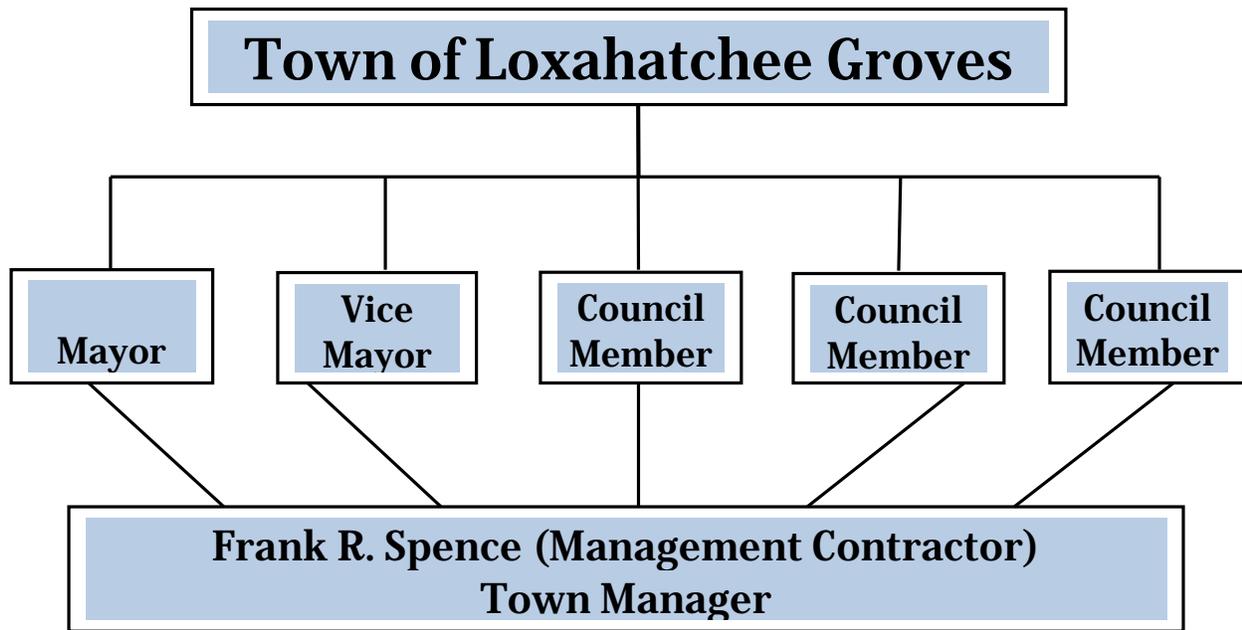
Ryan Liang, Councilmember

James Rockett, Councilmember

Prepared by:

Finance Department and Administration

Town of Loxahatchee Groves Organizational Chart



FINANCIAL SECTION



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCIPA.COM

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EDWARD T. HOLT, CPA
WILLIAM B. MINER, CPA
ROBERT W. HENDRICK, JR., CPA
JANET R. BARBOVICH, CPA

KATHLEEN A. MINER, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CPA
J. MICHAEL STEVENS, CPA
ALEXIA G. VARGA, CPA
BRIAN J. BRESCIA, CFPP, CPA
KARA D. PETERSON, CPA
EDWARD T. HOLT, JR., CPA

INDEPENDENT AUDITORS' REPORT

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

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 898-5612
FAX (561) 898-8248

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Loxahatchee Groves, Florida as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Loxahatchee Groves, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Loxahatchee Groves, Florida as of September 30, 2010, and the respective changes in financial thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2011, on our consideration of the Town of Loxahatchee Groves, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 25 through 27 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.

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

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
May 17, 2011

Management's Discussion and Analysis

As management of the Town of Loxahatchee Groves, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Loxahatchee Groves (the Town) for the fiscal year ended September 30, 2010. Readers are encouraged to consider the information presented here in conjunction with the auditors' reports, the basic financial statements, the notes to the financial statements, and the supplementary information.

Financial Highlights for Fiscal Year 2010

- Ø At September 30, 2010, the assets of the Town of Loxahatchee Groves exceeded its liabilities by \$2,124,576 (*net assets*). Of this amount, \$3,656 was invested in capital assets, net of related debt. Additionally, \$449,365 was restricted by law or agreements. The Town had \$1,671,555 (*unrestricted net assets*) which may be used to meet the Town's ongoing obligations to citizens and creditors.
- Ø During the fiscal year 2010, net assets increased by \$670,290. The increase is attributable to excess revenues over expenses.
- Ø At September 30, 2010, the Town of Loxahatchee Grove's general fund reported an ending fund balance of \$1,671,555, an increase of \$222,369 as compared with the prior year. Of the total fund balance, \$1,643,118 or 98% of this total amount is available for spending at the government's discretion (*unreserved fund balance*). The unreserved fund balance represents 136% of total general fund operating expenditures.

Overview of the Financial Statements

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

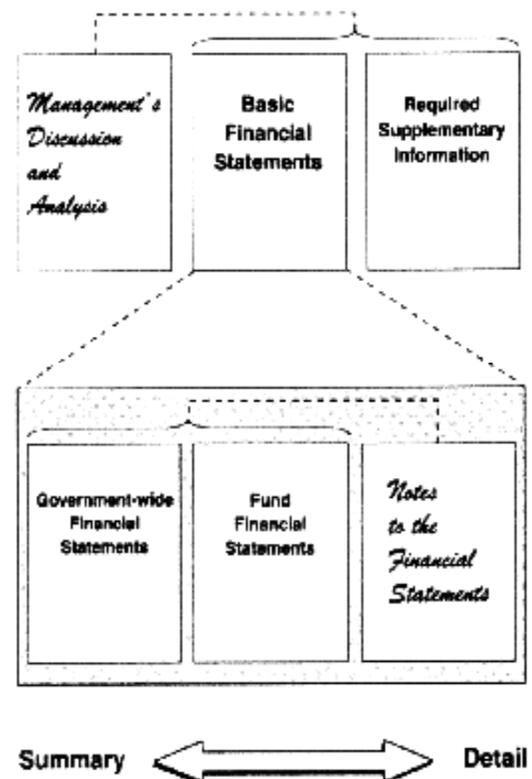
- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Town government, reporting the Town's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

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

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

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

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



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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the Town include public works, police, and general administration services. The Town has no business-type activities.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are governmental 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 government'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains two governmental funds; the general fund; which is considered the Town's major fund and the Transportation Fund.

The Town adopts an annual appropriated budget for both the general fund and the transportation fund. A budgetary comparison statement has been provided for the general fund and the transportation fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 14 and 15 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 to 24 of this report.

Government-wide Financial Analysis

Summary of net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. There are six basic transactions that will affect the comparability of the Statement of Net Assets summary presentation as reflected below:

- 1. Net results of activities** will impact (increase/decrease) current assets and unrestricted net assets.
- 2. Borrowing for capital** will increase current assets and long-term debt.
- 3. Spending borrowed proceeds on new capital** will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt, will not change the invested in capital assets, net of debt.
- 4. Spending of non-borrowed current assets on new capital** will reduce current assets and increase capital assets and will reduce unrestricted net assets and increase invested in capital assets, net of debt.
- 5. Principal payment on debt** will reduce current assets, reduce long-term debt, and reduce unrestricted net assets and increase invested in capital assets, net of debt.
- 6. Reduction of capital assets through depreciation** will reduce capital assets and reduce invested in capital assets, net of debt.

At September 30, 2010, the Town of Loxahatchee Grove's assets exceeded liabilities by \$2,124,576. A portion of the Town's net assets, \$3,656 or 0.2%, reflect its investment in capital assets, net of related debt (e.g., land and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. An additional portion of the Town's net assets, \$449,365 or 21%, represent resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,671,555 or 79%, may be used to meet the government's on-going obligations to citizens and creditors.

The Town of Loxahatchee Groves is able to report positive balances in all three categories of net assets at September 30, 2010.

Table 1
Town of Loxahatchee Groves
Summary of Net Assets

| | <u>2010</u> | <u>2009</u> | <u>Change</u> | <u>% Change</u> |
|--|--------------------|--------------------|-------------------|-----------------|
| Current and other assets | \$2,153,939 | \$1,533,218 | \$620,721 | 40% |
| Capital assets, net | <u>3,656</u> | <u>5,100</u> | <u>(1,444)</u> | (28)% |
| Total assets | 2,157,595 | 1,538,318 | 619,277 | 40% |
| Other liabilities | <u>33,019</u> | <u>84,032</u> | <u>(51,013)</u> | (61)% |
| Total liabilities | <u>33,019</u> | <u>84,032</u> | <u>(51,013)</u> | (61)% |
| Invested in capital assets, net of related debt | 3,656 | 5,100 | (1,444) | (28)% |
| Restricted for Transportation | 449,365 | 315,885 | 133,480 | 42% |
| Unrestricted | <u>1,671,555</u> | <u>1,133,301</u> | <u>538,254</u> | 47% |
| Total net assets | <u>\$2,124,576</u> | <u>\$1,454,286</u> | <u>\$ 670,290</u> | 46% |

- Ø During the fiscal year 2010, the Town's current assets increased by \$620,721 or 40%. The increase is mainly due to increases in cash as a result of the current year's operations.
- Ø Capital assets decreased due to depreciation.
- Ø Liabilities decreased by 28% mainly due to a reduction in payables and builder's planning deposits.

Governmental activities. Financial activities for the fiscal year are reported below. Key indicators, including revenues and expenditures by category are presented herein for review:

**Table 2
Town of Loxahatchee Groves
Changes in Net Assets**

| | <u>2010</u> | <u>2009</u> | <u>Change</u> | <u>% Change</u> |
|--|---------------------|---------------------|-------------------|-----------------|
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 458,111 | \$ 512,756 | \$ (54,645) | (11)% |
| General Revenues: | | | | |
| Property taxes | 321,912 | 446,294 | (124,382) | (28)% |
| Franchise fees | 208,158 | 232,172 | (24,014) | (10)% |
| Utility taxes | 481,710 | 268,748 | 212,962 | 79% |
| Intergovernmental (unrestricted) | 633,171 | 625,617 | 7,554 | 1% |
| Investment income | <u>6,775</u> | <u>9,028</u> | <u>(2,253)</u> | (25)% |
| Total revenues | <u>2,109,837</u> | <u>2,094,615</u> | <u>15,222</u> | 0.7% |
| Expenses: | | | | |
| General government | \$ 451,305 | \$ 558,728 | \$ (107,423) | (19)% |
| Public safety | 272,064 | 280,295 | (8,231) | (3)% |
| Physical environment | <u>716,178</u> | <u>480,523</u> | <u>235,655</u> | 49% |
| Total expenses | <u>1,439,547</u> | <u>1,319,546</u> | <u>120,001</u> | 9% |
| Transfers: | | | | |
| Increase (decrease) in net assets | <u>670,290</u> | <u>775,069</u> | <u>(104,779)</u> | (14)% |
| Net assets, beginning | 1,454,286 | 679,217 | 775,069 | 114% |
| Net assets, ending | <u>\$ 2,124,576</u> | <u>\$ 1,454,286</u> | <u>\$ 670,290</u> | 46% |

For fiscal year 2010, total revenues increased by \$15,222. Property tax revenues decreased \$124,382 or 28% as a direct result of the housing market crisis and the downturn in the economy. Investment income decreased \$2,253 or 25% due to reductions in the interest rates available on investments. Charges for services decreased \$54,645 or 11% due to a review and reduction in the sanitation accounts billed. Unrestricted intergovernmental revenues increased \$7,554 or 1%, franchise fee revenue decreased by \$24,014 or 10%, and utility tax revenue increased by \$212,962 or 79%. These increases were due to a reallocation of revenues between the Town and the County which helped mitigate the revenue decreases caused by the downturn in the economy.

Total expenses increased by \$120,001 or 9% as the Town increased services necessary to meet the demands of a new government.

Figure A-1
Town of Loxahatchee Groves
Revenues by Source – Governmental Activities
For the Fiscal Year Ended September 30, 2010

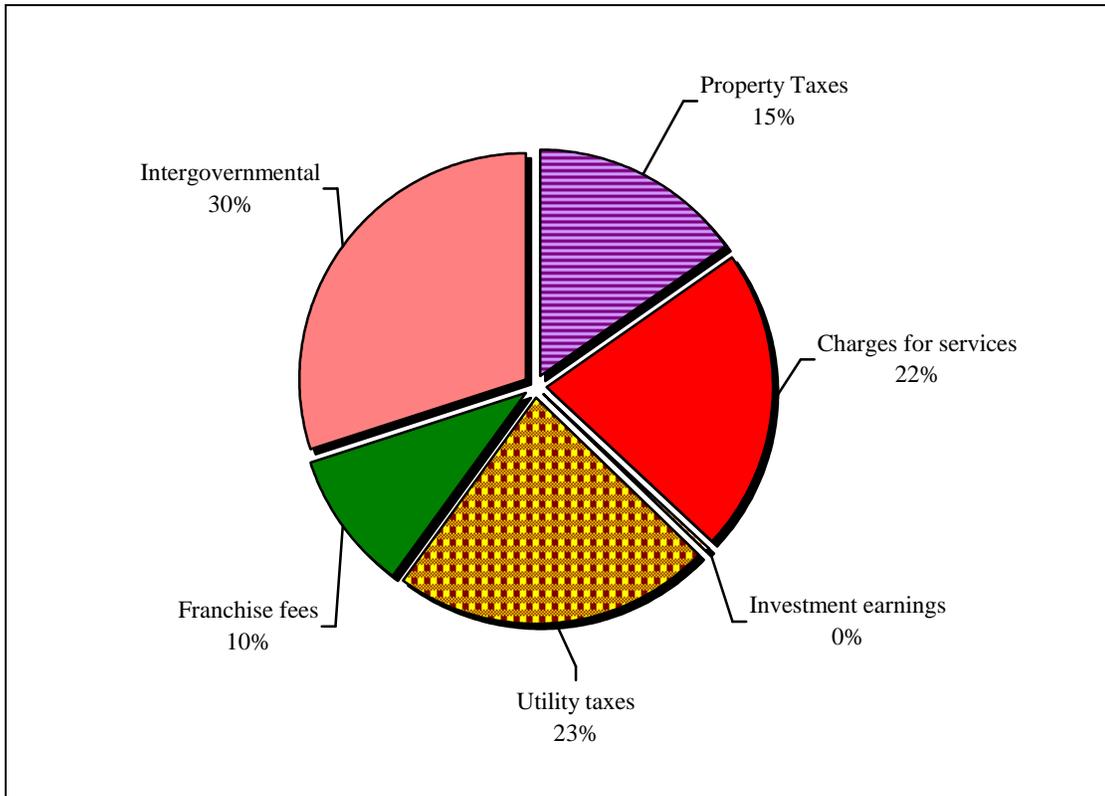
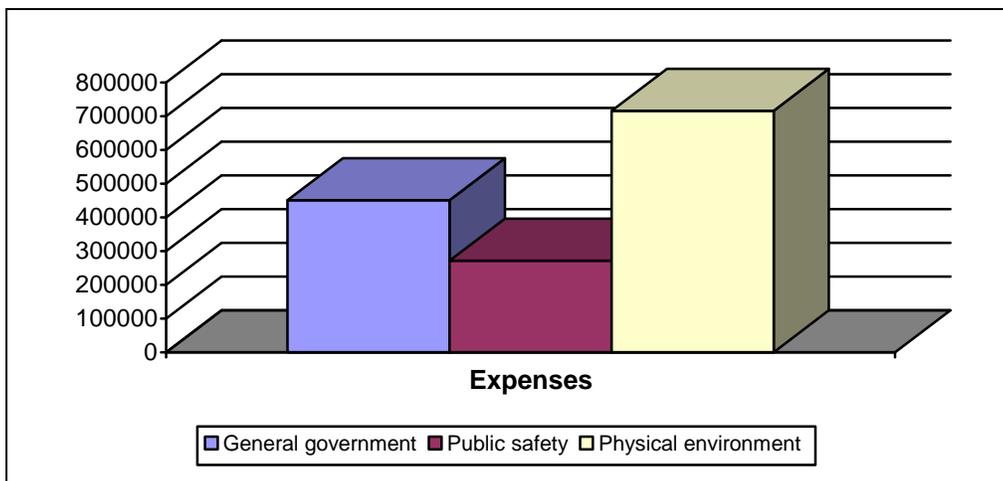


Figure A-2
Town of Loxahatchee Groves
Expenses – Governmental Activities
For the Fiscal Year Ended September 30, 2010



Financial Analysis of the Government's Funds

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

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

General fund. The general fund is the primary operating fund of the Town. At the end of the current fiscal year, the Town's general fund reported a fund balance of \$1,671,555, an increase of \$222,369 in comparison with the prior fiscal year. Approximately 98% of the total fund balance, \$1,643,118, constitutes *unreserved fund balance*, which is available for spending at the Town's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for prepaid expenses of \$28,437.

At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,643,118. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 136% of total general fund expenditures, while total fund balance represents 141% of that same amount.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance for September 30, 2010 and 2009 is shown below:

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

| | <u>2010</u> | <u>2009</u> | <u>Change</u> | <u>% Change</u> |
|---|--------------------|--------------------|------------------|-----------------|
| Total assets | \$1,699,277 | \$1,533,218 | \$166,059 | 11% |
| Total liabilities | 27,722 | 84,032 | (56,310) | (67)% |
| Reserved/Designated fund balance | 28,437 | 343,854 | (315,417) | (92)% |
| Unreserved fund balance | 1,643,118 | 1,105,332 | 537,786 | 49% |
| Total fund balance | 1,671,555 | 1,449,186 | 222,369 | 15% |
| Total liabilities and fund balance | \$1,699,277 | \$1,533,218 | \$166,059 | 11% |

During the fiscal year 2010, the General Fund assets increased by \$166,059 or 11%. The increase is mainly due to increases in cash as a result of the current year's operations. Liabilities decreased by \$56,310 or 67% mainly due to reductions in accounts payable and builder's planning deposits. Total fund balance increased by \$166,059 or 11% due to revenues exceeding expenditures. Unrestricted fund balance increased by \$537,786 or 49% and restricted fund balance decreased by \$315,417 or 92% mainly due to the transfer of funds to the newly created Transportation Fund.

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

| | 2010 | 2009 | Change | % Change |
|--------------------------------------|-------------|-------------|-------------|----------|
| Total revenues | \$1,742,505 | \$2,094,615 | \$(352,110) | (17)% |
| Total expenditures | 1,204,251 | 1,321,166 | (116,915) | (9)% |
| Excess of revenues over expenditures | 538,254 | 773,449 | (235,195) | (30)% |
| Other financing sources (uses) | (315,885) | - | (315,885) | 100% |
| Change in fund balance | 222,369 | 773,449 | (551,080) | (71)% |
| Fund balance, beginning | 1,449,186 | 675,737 | 773,449 | 114% |
| Fund balance, ending | \$1,671,555 | \$1,449,186 | \$222,369 | 15% |

The Town of Loxahatchee Groves revenues decreased \$352,110 or 17%. Although property tax revenues decreased \$124,382, charges for services decreased \$54,657 and investment income decreased \$2,971; these decreases were offset by increases in utility taxes of \$212,962 due to reallocation of revenues between the Town and the County. But, in addition, General Fund revenues decreased \$361,813 due to the transfer of intergovernmental revenues to the newly created Transportation Fund.

Total expenditures increased \$116,915 or 9% due to the Town increasing services necessary to meet the demands of a new government.

General Fund Budgetary Highlights

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

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

Over the course of the year, the Town did not amend the General Fund budget. The fiscal year final 2010 budget was \$1.5 million. Revenues exceeded budgeted amounts by approximately \$249 thousand and expenses were approximately \$288 thousand below budgeted amounts. General government, \$299 thousand, was the most significant contributor to this variance. There was a significant savings in general government costs and various departmental savings due to cost cutting and conservative spending.

Budget versus actual schedules are presented on page 25 for the general fund, there were no supplemental appropriations for 2010.

Capital Assets and Long Term Debt

As of September 30, 2010, the Town's investment in capital assets amounted to \$3,656 (net of accumulated depreciation). More details relating to capital assets can be found on page 23 of the footnotes.

The Town has no long term debt.

Economic Factors and Next Year's Budgets and Rates

- Ø In setting its fiscal 2010-2011 budget, the Town adopted a millage rate of 1.40.
- Ø The Town of Loxahatchee Groves anticipates that the total assessed property value will decrease 13% for 2011. Accordingly, the reserves that have been built up will secure the Town's income flow for the upcoming fiscal years.
- Ø For fiscal year 2011, the Town established a Sanitation Fund to account for revenues from the assessment of sanitation fees and the related expenses.

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

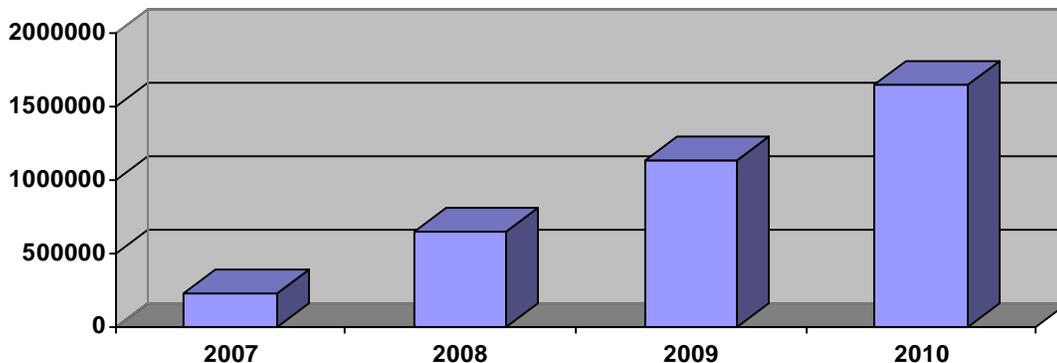
On January 29, 2008 the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment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

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 became effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which became effective on January 1, 2009. Additional tax relief bills are expected to be introduced at the upcoming legislative session which could, if ratified, further limit the extent to which municipalities can levy taxes.

Revenues in the FY 2011 adopted General Fund budget are \$1.25 million, a decrease of approximately 28% from the FY 2010 actual revenues of \$1.74 million. Fiscal year 2011 budgeted expenditures are expected to be consistent with actual expenses of \$1.25 million for fiscal year 2010.

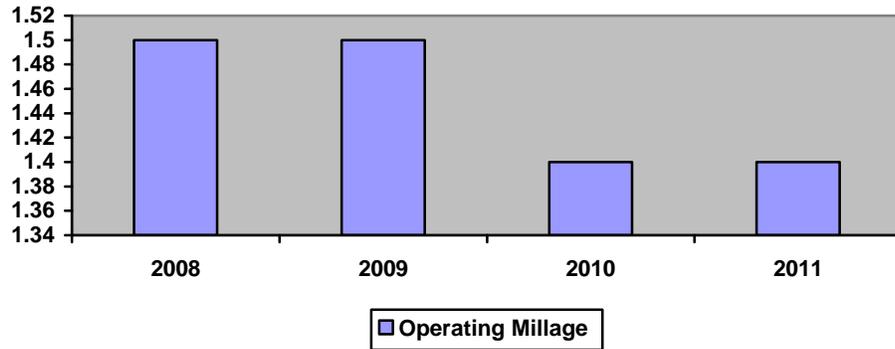
General Fund Unrestricted Surplus For the Fiscal Years ended September 30, 2007-2010



In 1995, the state of Florida limited all local governments' ability to increase property assessments of homestead property in any given year to 3 percent or cost of living, whichever is lower. The graph below shows the millage rates over the past four years.

The Town, just like many cities across the country, has to face the challenge of keeping taxes and service charges as low as possible while providing residents with the level of service they have come to expect.

**Town of Loxahatchee Groves Millage
For the Fiscal Years ended September 30, 2008-2011**



The operating millage rate for tax year 2010, which is collected in fiscal year 2011, is 1.4 or \$1.4 per thousand dollars of taxable value. Under current legislation, the Town was required to rollback its millage rate to the rollback rate less 5%. The 2011 budget achieved this objective. Historically, the rollback rate has always been lower than the existing rate. However, with new laws, the rolled back rate was actually higher, even though the resulting tax bill will be lower due to the new homestead exemption. Overall, the adopted budget is an economical and prudent financial plan that will ensure quality public services and needed capital improvements for all residents, both today and in the future.

Requests for Information

This financial report is designed to provide a general overview of the Town of Loxahatchee Groves' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Clerk, 14579 Southern Blvd., Suite 2, Loxahatchee Groves, Florida 33470.

BASIC FINANCIAL STATEMENTS

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Net Assets
September 30, 2010

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 2,003,185 |
| Receivables (net) | |
| Franchise and utility taxes | 61,982 |
| Due from other governments | 60,335 |
| Prepaid items | 28,437 |
| Capital assets, depreciable (net of depreciation) | <u>3,656</u> |
| Total assets | <u>2,157,595</u> |
| LIABILITIES AND NET ASSETS | |
| Accounts payable | 30,102 |
| Deposits for planning and zoning | <u>2,917</u> |
| Total liabilities | <u>33,019</u> |
| Net Assets | |
| Invested in capital assets | 3,656 |
| Restricted for: | |
| Transportation | 449,365 |
| Unrestricted | <u>1,671,555</u> |
| Total net assets | <u><u>\$ 2,124,576</u></u> |

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Activities
For the Year Ended September 30, 2010

| Function / Program Activities | Expenses | Program Revenues | | | Total Governmental Activities |
|----------------------------------|------------|----------------------|------------------------------------|----------------------------------|-------------------------------|
| | | Charges For Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities | | | | | |
| General government | \$ 451,305 | \$ 12,743 | \$ | \$ | \$ (438,562) |
| Public safety | 272,064 | | | | (272,064) |
| Physical environment | 716,178 | 445,368 | | | (270,810) |
| Total governmental activities | 1,439,547 | 458,111 | | | (981,436) |
| | | | | | |
| General revenues | | | | | |
| Property taxes | | | | | 321,912 |
| Franchise taxes | | | | | 208,158 |
| Utility taxes | | | | | 481,710 |
| Intergovernmental (unrestricted) | | | | | 633,171 |
| Interest and other | | | | | 6,775 |
| Total general revenues | | | | | 1,651,726 |
| Change in net assets | | | | | 670,290 |
| Net assets, beginning of year | | | | | 1,454,286 |
| Net assets, end of year | | | | | \$ 2,124,576 |

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2010

| | Major Funds | | Total |
|--|--------------|---------------------------------|--------------|
| | General | Transportion Special Revenue | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,577,828 | \$ 425,357 | \$ 2,003,185 |
| Receivables (net) | | | |
| Franchise and utility taxes | 61,982 | | 61,982 |
| Due from other governments | 31,030 | 29,305 | 60,335 |
| Prepaid items | 28,437 | | 28,437 |
| Total assets | \$ 1,699,277 | \$ 454,662 | \$ 2,153,939 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Accounts payable | \$ 24,805 | \$ 5,297 | \$ 30,102 |
| Deposits for planning and zoning | 2,917 | | 2,917 |
| Total liabilities | 27,722 | 5,297 | 33,019 |
| Fund balances | | | |
| Reserved for: | | | |
| Prepaid items | 28,437 | | 28,437 |
| Unreserved: | | | |
| Undesignated | 1,643,118 | 449,365 | 2,092,483 |
| Total fund balances | 1,671,555 | 449,365 | 2,120,920 |
| Total liabilities and fund balances | \$ 1,699,277 | \$ 454,662 | \$ 2,153,939 |
| Reconciliation to the Statement of Net Assets | | | |
| Fund balances - governmental fund | | | \$ 2,153,939 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds: | | | 3,656 |
| Net assets of governmental activities | | | \$ 2,157,595 |

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Governmental Funds
For the Year Ended September 30, 2010

| | Major Funds | | Total |
|---|---------------------|-----------------------------------|---------------------|
| | General | Transportation Special Revenue | |
| Revenues | | | |
| Property taxes | \$ 321,912 | \$ | \$ 321,912 |
| Franchise taxes | 208,158 | | 208,158 |
| Utility service taxes | 481,710 | | 481,710 |
| Intergovernmental revenues | 265,839 | 367,332 | 633,171 |
| Licenses and permits | 10,732 | | 10,732 |
| Charges for services | 447,379 | | 447,379 |
| Interest and other | 6,775 | | 6,775 |
| Total revenues | <u>1,742,505</u> | <u>367,332</u> | <u>2,109,837</u> |
| Expenditures | | | |
| Current | | | |
| General government | 449,861 | | 449,861 |
| Public safety | 272,064 | | 272,064 |
| Physical environment | 482,326 | 233,852 | 716,178 |
| Total expenditures | <u>1,204,251</u> | <u>233,852</u> | <u>1,438,103</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | <u>538,254</u> | <u>133,480</u> | <u>671,734</u> |
| Other financing sources (uses) | | | |
| Transfers in/(out) | <u>(315,885)</u> | <u>315,885</u> | |
| Total other financing sources (uses) | <u>(315,885)</u> | <u>315,885</u> | |
| Net change in fund balances | 222,369 | 449,365 | 671,734 |
| Fund balances, beginning of year | <u>1,449,186</u> | | <u>1,449,186</u> |
| Fund balances, end of year | <u>\$ 1,671,555</u> | <u>\$ 449,365</u> | <u>\$ 2,120,920</u> |

Reconciliation to the Statement of Activities

Net change in fund balances \$ 671,734

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives

Less: current year depreciation (1,444)

\$ 670,290

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

In accordance with Statement 14 of the Government Accounting Standards Board, the underlying concept of the governmental financial reporting entity is that governmental organizations are responsible to elected governing officials; therefore, financial reporting should report the elected officials' accountability for those organizations. Furthermore, the financial statements of the reporting entity should allow users to distinguish between the primary governments and its component units if any, by communicating information about the component units and their relationships with the primary government. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Determining factors of financial accountability include appointment of a voting majority, imposition of will, financial benefit or burden on a primary government, or fiscal dependency. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based upon application of these criteria, the Town of Loxahatchee Groves has determined that there are no additional governmental departments, agencies, institutions, commissions, public authorities or other governmental organizations operating within the jurisdiction of the Town that would be required to be included in the Town’s financial statements.

Government-wide and Fund Financial Statements – GASB Statement #34

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements – GASB Statement #34 (Continued)

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 Town has no business-type activities.

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

Separate financial statements are provided for governmental funds. Major individual governmental 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. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. The Town does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which levied, and since the Town consistently has no material uncollected property taxes at year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. 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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from the unrestricted resources.

The Town reports the following major governmental funds:

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

The Transportation Fund is a special revenue fund that accounts for the revenues that are restricted for transportation related expenditures.

Cash and Cash Equivalents

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

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 equipment are reported in the government-wide financial statements. Capital assets, excluding infrastructure assets, are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

As of September 30, 2010 the County has not transferred any infrastructure (roads, sidewalks and similar items) to the Town.

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

| | |
|-----------|---------|
| Equipment | 5 years |
|-----------|---------|

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Equity in the government-wide statement of net assets is displayed in three categories: 1) invested in capital assets, 2) restricted, 3) unrestricted. Net assets invested in capital assets consist of capital assets reduced by accumulated depreciation. Net assets are reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net assets consist of all net assets that do not meet the definition of either of the other two components.

Fund Equity

The Town has established certain reservations of governmental fund balances. Reserves represent those portions of fund balances not considered as available for future appropriation or legally segregated for a specific future use. Reservations of fund balances are reported on the balance sheet for governmental funds.

The following is a list of all reserves used by the Town and a description of each:

- Reserved for prepaid items – Represents certain payments made in advance indicating that these funds are not available spendable resources.
- Reserved for transportation – Funds received from the State of Florida from Local Option Gas Taxes, which are required to be spent on transportation.
- Reserved for public safety – Remaining funds from a donation required to be used for police and fire.

Use of Estimates

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

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

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

1. Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of two resolutions – one establishing a milage rate and another adopting the final budget.
4. The Town prepares and adopts a budget for the General Fund. No differences exist between the budgetary and GAAP basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Town Council. If, at any time during the fiscal year, it appears probable to the Town Manager that the revenues available will be insufficient to meet the amount appropriated, the Town Manager shall report to the Council without delay, indicating the estimated amount of the deficit, any remedial action taken, and recommendations as to any other steps that should be taken. The Council shall then take such further action as it deems necessary to prevent or minimize any deficit and, for that purpose, the council may by resolution reduce one or more appropriations accordingly. Therefore, the legal level of control (level of which expenditures may not exceed the budget) is at the fund level.
5. Appropriations along with encumbrances lapse on September 30.
6. During the fiscal year ended September 30, 2010, there were no supplemental appropriations.

Property Taxes

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

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2010

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

Property Taxes (Continued)

The tax levy of the Town is established by the Town Council prior to October 1 of each year, and the Palm Beach County Property Appraiser incorporates the Town's millages into the total tax levy, which includes Palm Beach County and Palm Beach County School Board tax requirements. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the Town for the year ended September 30, 2010, was 1.400 mills (\$1.400 per \$1,000 of taxable assessed valuation).

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

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

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

NOTE 3 - CASH AND INVESTMENTS

Deposits

As of September 30, 2010, the carrying amounts of the Town's deposits were \$2,003,185 and the bank balances totaled \$2,049,044. All cash deposits are covered by FDIC insurance or the multiple financial institution collateral pool administered by the State of Florida. The collateral pool was created pursuant to the Florida Security for Deposits Act, Chapter 280, Florida Statutes.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

Deposits (Continued)

The collateral pool consists of assets pledged to the State Treasurer by financial institutions that comply with the requirements of Florida Statutes and have been thereby designated as "qualified public depositories". Therefore, the Town's entire bank balance of \$2,049,044 is insured either by Federal depository insurance or is collateralized with securities pursuant to the Florida Security for Public Deposits Act. The Town's deposits at year end are considered insured for custodial credit risk purposes.

Investments

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

Interest Rate Risk

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

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

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

Primary Government

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets being depreciated: | | | | |
| Equipment | \$ 7,220 | \$ | \$ | \$ 7,220 |
| Less accumulated depreciation for: | | | | |
| Equipment | <u>(2,120)</u> | <u>(1,444)</u> | <u> </u> | <u>(3,564)</u> |
| Governmental activities capital assets, net | <u>\$ 5,100</u> | <u>\$ (1,444)</u> | <u>\$</u> | <u>\$ 3,656</u> |

Depreciation expense was charged to the general government functions/programs of the Town.

NOTE 5 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has joined with other municipalities in the State participating in the Florida League of Cities Municipal Self Insurance Program, (the Program) a public entity risk pool currently operating as a common risk management and insurance program. The inter-local agreement with the Florida League of Cities Municipal Self Insurance Program provides that the Program will be self-sustaining through member premiums and will reinsure through commercial companies.

The Town is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$100,000/\$200,000 for all claims relating to the same accident. There have been no significant reductions in insurance coverage in the prior year. No settlements exceeded insurance coverage for the past three years.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 6 – COMMITMENTS

Professional Services Agreement- Management Services

On August 31, 2009, the Town entered into a professional service agreement for the position of Town Manager. The agreement also provides for a Town Clerk and financial reporting services.. The current contract starts on October 1, 2010, and expires on September 30, 2011, and calls for monthly payments of \$16,667. The contract may be extended for additional one year terms, with the contract payments being increased by the percentage change in the Consumer Price Index – All Urban Consumers for the South Urban Region for corresponding period.

Interlocal Agreements with Palm Beach County

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

Agreement with Palm Beach County for Law Enforcement Services

During 2008, the Town executed an agreement with Palm Beach County for law enforcement services within the Town's boundaries. There have been two addendums to the agreement to amend the term and payments. The agreement currently expires on September 30, 2011, and the total cost of personnel and equipment is \$274,776 payable in monthly installments of \$22,898

Solid Waste and Recycling Collection Franchise Agreement

During 2008, the Town executed an agreement with Waste Pro of Florida for solid waste and recycling collection services. The term of the agreement is for the period beginning October 1, 2008 through September 30, 2013. Residential rates are set by a monthly amount per unit and commercial rates are set per cubic yard or per pull. The rates are adjusted based the Refuse Rate Index.

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Required Supplementary Information (RSI)
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended September 30, 2010

| | Budget Amounts | | Actual Amounts | Variance |
|---|------------------|------------------|---------------------|---------------------|
| | Original | Final Revised | | |
| Revenues | | | | |
| Property taxes | \$ 319,175 | \$ 319,175 | \$ 321,912 | \$ 2,737 |
| Franchise taxes | 190,000 | 190,000 | 208,158 | 18,158 |
| Utility service taxes | 266,000 | 266,000 | 481,710 | 215,710 |
| Intergovernmental revenues | 262,700 | 262,700 | 265,839 | 3,139 |
| Licenses and permits | 8,000 | 8,000 | 10,732 | 2,732 |
| Charges for services | 442,900 | 442,900 | 447,379 | 4,479 |
| Interest and other | 4,050 | 4,050 | 6,775 | 2,725 |
| Total revenues | <u>1,492,825</u> | <u>1,492,825</u> | <u>1,742,505</u> | <u>249,680</u> |
| Expenditures | | | | |
| General government | | | | |
| Legislative | 19,900 | 19,900 | 24,915 | (5,015) |
| Executive | 430,361 | 430,361 | 238,484 | 191,877 |
| Town clerk | 2,000 | 2,000 | 1,922 | 78 |
| Finance | 13,000 | 13,000 | 14,500 | (1,500) |
| Legal | 144,000 | 144,000 | 78,530 | 65,470 |
| Planning and zoning | 139,350 | 139,350 | 91,510 | 47,840 |
| Total general government | <u>748,611</u> | <u>748,611</u> | <u>449,861</u> | <u>298,750</u> |
| Public safety | | | | |
| Police | <u>297,064</u> | <u>297,064</u> | <u>272,064</u> | <u>25,000</u> |
| Physical environment | | | | |
| Sanitation | <u>447,150</u> | <u>447,150</u> | <u>482,326</u> | <u>(35,176)</u> |
| Total expenditures | <u>1,492,825</u> | <u>1,492,825</u> | <u>1,204,251</u> | <u>288,574</u> |
| Excess (deficiency) of revenues over (under) expenditures | | | <u>538,254</u> | <u>(538,254)</u> |
| Other financing sources | | | | |
| Transfers out | | | <u>(315,885)</u> | <u>315,885</u> |
| Total other financing sources | | | <u>(315,885)</u> | <u>315,885</u> |
| Net change in fund balance | <u>\$</u> | <u>\$</u> | 222,369 | <u>\$ (222,369)</u> |
| Fund balance, beginning of year | | | <u>1,449,186</u> | |
| Fund balance, end of year | | | <u>\$ 1,671,555</u> | |

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Required Supplementary Information (RSI)
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Transportation Special Revenue Fund
For the Year Ended September 30, 2010

| | Budget Amounts | | Actual Amounts | Variance |
|---|----------------|----------------|-------------------|---------------------|
| | Original | Final Revised | | |
| Revenues | | | | |
| Intergovernmental revenues | 350,243 | 350,243 | 367,332 | 17,089 |
| Total revenues | <u>350,243</u> | <u>350,243</u> | <u>367,332</u> | <u>17,089</u> |
| Expenditures | | | | |
| Physical environment | | | | |
| Roads and streets | 350,243 | 350,243 | 233,852 | 116,391 |
| Total expenditures | <u>350,243</u> | <u>350,243</u> | <u>233,852</u> | <u>116,391</u> |
| Excess (deficiency) of revenues over (under) expenditures | | | 133,480 | (133,480) |
| Other financing sources | | | | |
| Transfers in | | | 315,885 | (315,885) |
| Total other financing sources | | | <u>315,885</u> | <u>(315,885)</u> |
| Net change in fund balance | <u>\$</u> | <u>\$</u> | 449,365 | <u>\$ (449,365)</u> |
| Fund balance, beginning of year | | | | |
| Fund balance, end of year | | | <u>\$ 449,365</u> | |

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Budgetary

Required Supplementary Information (RSI)

September 30, 2010

Note 1 - Basis of Accounting

Generally accepted accounting principles (GAAP) serve as the budgetary basis of accounting.

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents

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Financial Trends

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

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|--|-------|
| Net Assets by Component | 28 |
| Changes in Net Assets | 29 |
| Fund Balances of Governmental Funds | 30 |
| Changes in Fund Balances of Governmental Funds | 31 |
| General Governmental Revenues by Source | 32-33 |

Revenue Capacity

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

| | |
|---|-------|
| Assessed Value and Estimated Actual Value of Taxable Property | 34-35 |
| Property Tax Rates Direct and Overlapping Governments | 36-37 |
| Principal Property Tax Payers | 38 |
| Property Tax Levies and Collections | 39 |

Debt Capacity

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

| | |
|---|----|
| Direct and Overlapping Governmental Activities Debt | 40 |
|---|----|

Demographic and Economic Information

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

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| Demographic and Economic Statistics | 41 |
| Principal Employers | 42 |

Operating Information

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

| | |
|--|----|
| Full-Time Equivalent Town Government Employees by Function/Program | 43 |
| Operating indicators By Function | 44 |

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

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Net Assets By Component
Last Ten Fiscal Years (1)
(accrual basis of accounting)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|-------------------|------------------|--------------------|--------------------|
| Governmental activities: | | | | |
| Invested in capital assets (net of depreciation) | \$ 4,369 | \$ 3,480 | \$ 5,100 | \$ 3,656 |
| Restricted | | 16,849 | 315,885 | 449,365 |
| Unrestricted | <u>228,241</u> | <u>658,888</u> | <u>1,133,301</u> | <u>1,671,555</u> |
| Total governmental activities net assets | <u>\$ 232,610</u> | <u>\$679,217</u> | <u>\$1,454,286</u> | <u>\$2,124,576</u> |
| Primary government: | | | | |
| Invested in capital assets (net of depreciation) | \$ 4,369 | \$ 3,480 | \$ 5,100 | \$ 3,656 |
| Restricted | | | 315,885 | 449,365 |
| Unrestricted | <u>228,241</u> | <u>653,424</u> | <u>1,133,301</u> | <u>1,671,555</u> |
| Total primary government net assets | <u>\$ 232,610</u> | <u>\$656,904</u> | <u>\$1,454,286</u> | <u>\$2,124,576</u> |

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Changes in Net Assets
Last Ten Fiscal Years (1)
(accrual basis of accounting)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| EXPENSES | | | | |
| Governmental activities: | | | | |
| General government | \$ 113,836 | \$ 581,459 | \$ 558,728 | \$ 451,305 |
| Public safety | - | 241,921 | 280,295 | 272,064 |
| Physical environment | - | 383,508 | 480,523 | 716,178 |
| Total governmental activities | <u>113,836</u> | <u>1,206,888</u> | <u>1,319,546</u> | <u>1,439,547</u> |
| Total primary government expenses | <u>113,836</u> | <u>1,206,888</u> | <u>1,319,546</u> | <u>1,439,547</u> |
| PROGRAM REVENUES | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | 14 | 8,119 | 12,496 | 12,743 |
| Public safety | - | 1,500 | - | - |
| Physical environment | - | 330,238 | 500,260 | 445,368 |
| Operating grants and contributions | - | - | - | - |
| Capital grants and contributions | - | - | - | - |
| Total governmental activities program revenues | <u>14</u> | <u>339,857</u> | <u>512,756</u> | <u>458,111</u> |
| Total primary government revenues | <u>14</u> | <u>339,857</u> | <u>512,756</u> | <u>458,111</u> |
| Net (expense) revenue of governmental activities | <u>(113,822)</u> | <u>(867,031)</u> | <u>(806,790)</u> | <u>(981,436)</u> |
| Total primary government net expenses | <u>(113,822)</u> | <u>(867,031)</u> | <u>(806,790)</u> | <u>(981,436)</u> |
| General revenues and Other Changes in Net Assets: | | | | |
| Governmental activities: | | | | |
| Property taxes | - | 508,845 | 446,294 | 321,912 |
| Utility taxes | 154,857 | 205,802 | 268,748 | 481,710 |
| Franchise fees based on gross receipts | 65,729 | 218,236 | 232,172 | 208,158 |
| Unrestricted intergovernmental revenue | 124,459 | 361,896 | 625,617 | 633,171 |
| Interest and other | 1,387 | 18,859 | 9,028 | 6,775 |
| Total governmental activities | <u>346,432</u> | <u>1,313,638</u> | <u>1,581,859</u> | <u>1,651,726</u> |
| Total primary government | <u>346,432</u> | <u>1,313,638</u> | <u>1,581,859</u> | <u>1,651,726</u> |
| Change in Net Assets | | | | |
| Governmental activities | <u>232,610</u> | <u>446,607</u> | <u>775,069</u> | <u>670,290</u> |
| Total primary government | <u>\$ 232,610</u> | <u>\$ 446,607</u> | <u>\$ 775,069</u> | <u>\$ 670,290</u> |

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Fund Balances of Governmental Funds
Last Ten Fiscal Years (1)
(modified accrual basis of accounting)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|-------------------|-------------------|---------------------|---------------------|
| General Fund | | | | |
| Reserved | \$ 5,095 | \$ 20,944 | \$ 343,854 | \$ 28,437 |
| Unreserved | 223,146 | 654,793 | 1,105,332 | 1,643,118 |
| Total general fund | <u>\$ 228,241</u> | <u>\$ 675,737</u> | <u>\$ 1,449,186</u> | <u>\$ 1,671,555</u> |
| | | | | |
| All other governmental funds | | | | |
| Reserved | - | - | - | - |
| Unreserved - Transportation special revenue fund | | | | 449,365 |
| Total all other governmental funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 449,365</u> |

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years (1)
(modified accrual basis of accounting)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|---|-------------------|-------------------|-------------------|-------------------|
| REVENUES | | | | |
| Property taxes | \$ - | \$ 508,845 | \$ 446,294 | \$ 321,912 |
| Utility taxes | 154,857 | 205,802 | 268,748 | 481,710 |
| Franchise fees | 65,729 | 218,236 | 232,172 | 208,158 |
| Intergovernmental revenue | 124,459 | 361,896 | 625,617 | 633,171 |
| Charge for services | - | 330,238 | 502,035 | 447,379 |
| Licenses and permits | - | 8,119 | 10,721 | 10,732 |
| Fines and forfeitures | 14 | 1,500 | - | - |
| Interest and other | 1,387 | 18,859 | 9,028 | 6,775 |
| Total revenues | <u>346,446</u> | <u>1,653,495</u> | <u>2,094,615</u> | <u>2,109,837</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 113,762 | 807,439 | 560,348 | 449,861 |
| Public safety | - | 241,921 | 280,295 | 272,064 |
| Solid waste | - | 156,639 | 480,523 | 716,178 |
| Capital outlay | 4,443 | | | |
| Total expenditures | <u>118,205</u> | <u>1,205,999</u> | <u>1,321,166</u> | <u>1,438,103</u> |
| Net change in fund balances | <u>\$ 228,241</u> | <u>\$ 447,496</u> | <u>\$ 773,449</u> | <u>\$ 671,734</u> |
| Debt service as a percentage of noncapital expenditures | <u>0.0%</u> | <u>0.0%</u> | <u>0.0%</u> | <u>0.0%</u> |

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
 General Governmental Revenues By Source
 Last Ten Fiscal Years (1)
 (accrual basis of accounting)

| <u>Fiscal Year</u> | <u>Ad-Valorem Taxes General Purpose</u> | <u>Utility Tax</u> | <u>Intergovernmental</u> | <u>Franchise Tax</u> |
|--------------------|---|--------------------|--------------------------|----------------------|
| 2007 | - | 154,857 | 124,459 | 65,729 |
| 2008 | 508,845 | 187,584 | 361,896 | 218,236 |
| 2009 | 446,294 | 268,748 | 625,617 | 232,172 |
| 2010 | 321,912 | 481,710 | 633,171 | 208,158 |

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

| <u>Charges for Service</u> | <u>License and Permits</u> | <u>Interest</u> | <u>Fines and Forfeitures</u> | <u>Total</u> |
|----------------------------|----------------------------|-----------------|------------------------------|--------------|
| - | - | 1,387 | 14 | 346,446 |
| 330,238 | 8,119 | 18,859 | 1,500 | 1,635,277 |
| 502,035 | 10,721 | 9,016 | 12 | 2,094,615 |
| 444,379 | 10,732 | 6,775 | - | 2,106,837 |

TOWN OF LOXAHATCHEE GROVES, FLORIDA
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years (1)

| Fiscal Year | Real Property | | | | Personal Property | Net Assessed Value |
|-------------|----------------------|---------------------|-----------------------|------------------------------|-------------------|--------------------|
| | Residential Property | Commercial Property | Agricultural Property | Gov't/Institutional Property | | |
| 2007 | (1) | (1) | (1) | (1) | (1) | (1) |
| 2008 | 245,439,224 | 17,618,241 | 72,320,220 | 2,222,765 | 12,680,070 | 350,280,520 |
| 2009 | 207,549,455 | 18,974,712 | 71,068,044 | | 9,797,359 | 307,389,570 |
| 2010 | 146,181,111 | 16,932,326 | 54,450,995 | | 9,823,860 | 227,388,292 |

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

(1) The Town incorporated in November 2006 and its first year of setting its millage rate was fiscal year 2008. Therefore, information for fiscal periods prior to that are not available.

| Total Direct Tax Rate | Estimated Actual Value | Net Assessed Value as a Percentage of Estimated Actual Value |
|--------------------------|---------------------------|--|
| (1) | (1) | (1) |
| 1.5000 | 727,915,606 | 48.12% |
| 1.5000 | 653,870,928 | 47.01% |
| 1.4000 | 459,295,516 | 49.51% |

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years (1)

| Fiscal Year | Town Operating Millage | OVERLAPPING RATES | | | |
|-------------|---------------------------|---|----------------------|---|---|
| | | Palm Beach County School District | Palm Beach County | County Palm Beach County Health Care District | Palm Beach County Library System |
| 2007 | (1) | (1) | (1) | (1) | (1) |
| 2008 | 1.500 | 7.360 | 6.760 | 0.890 | 0.540 |
| 2009 | 1.500 | 7.250 | 6.920 | 1.000 | 0.540 |
| 2010 | 1.400 | 7.980 | 8.020 | 1.150 | 0.550 |

(1) The Town incorporated in November 2006 and its first year of setting its millage rate was fiscal year 2008. Therefore, information for fiscal periods prior to that are not available.

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

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

OVERLAPPING RATES

| South Florida Water Management District | Children's Services Council | Special Districts Florida Inland Navigation District | Total Direct and Overlapping Rates |
|--|-----------------------------------|--|---------------------------------------|
| (1) | (1) | (1) | (1) |
| 0.620 | 0.580 | 0.030 | 18.280 |
| 0.620 | 0.600 | 0.040 | 18.470 |
| 0.620 | 0.690 | 0.040 | 20.450 |

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

| 2010 | | | | 2000(1) | | | |
|--------------------------|-------------------------------|-------------|--|-----------------|-------------------------------|-------------|--|
| <u>Taxpayer</u> | <u>Assessed Valuation</u> | <u>Rank</u> | <u>Percentage Total Assessed Valuation</u> | <u>Taxpayer</u> | <u>Assessed Valuation</u> | <u>Rank</u> | <u>Percentage Total Assessed Valuation</u> |
| ZDARSKY CONSTANTIN | \$ 3,258,760 | 1 | 1.43 | | | | |
| YEES CORP | 2,859,843 | 2 | 1.26 | | | | |
| R BROKE NOW LLC | 2,800,805 | 3 | 1.23 | | | | |
| EVERGLADES FARM EQUIP CO | 1,997,435 | 4 | 0.88 | | | | |
| SOUTHERN MANAGEMENT CORP | 1,793,950 | 5 | 0.79 | | | | |
| SUNSPORT GARDENS | 1,390,479 | 6 | 0.61 | | | | |
| GROVES MEDICAL PLAZA LLC | 1,319,999 | 7 | 0.58 | | | | |
| ROYALS OK LUNCH INC | 1,138,974 | 8 | 0.50 | | | | |
| ACKERMAN LORI & | 1,132,494 | 9 | 0.50 | | | | |
| JACA BUSINESS CORP | 1,100,396 | 10 | 0.48 | | | | |
| | <u>\$ 18,793,135</u> | | <u>8.26</u> | | | | |

(1) The Town incorporated in November 2006. Therefore, information for fiscal periods prior to that are not available.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Property Tax Levies and Collections
Last Ten Fiscal Years (1)

| Fiscal Year | Total Taxes Levied for Fiscal Year | Collected Within the Fiscal Year of Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------|------------------------------------|--|-----------------|---------------------------------|---------------------------|-----------------|
| | | Amount | Percent of Levy | | Amount | Percent of Levy |
| 2007 | (1) | (1) | (1) | (1) | (1) | (1) |
| 2008 | 543,920 | 508,845 | 93.55% | n/a | 508,845 | 93.55% |
| 2009 | 465,999 | 446,294 | 95.77% | n/a | 446,294 | 95.77% |
| 2010 | 319,175 | 321,912 | 100.86% | n/a | 321,912 | 100.86% |

(1) The Town incorporated in November 2006 and its first year of setting its millage rate was fiscal year 2007. Therefore, information for fiscal periods prior to that are not available.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
 Direct and Overlapping Governmental Activities Debt
 Fiscal year ended September 30, 2010

| <u>Government Unit</u> | <u>Net Debt Outstanding</u> | <u>Estimated Percentage Applicable(1)</u> | <u>Amount Applicable to Town of Loxahatchee Groves</u> |
|--|-------------------------------------|---|--|
| Debt repaid with property taxes: | | | |
| Palm Beach County | \$ 250,470,000 | 0.18% | 450,846 |
| Palm Beach County School Board | 29,555,000 | 0.18% | 53,199 |
| Other debt: | | | |
| Palm Beach County | 888,161,139 | 0.18% | 1,598,690 |
| Palm Beach County School Board | 1,886,293,000 | 0.18% | 3,395,327 |
| Town of Loxahatchee Groves direct debt | | n/a | - |
| Total direct and overlapping debt | | | <u>\$ 5,498,062</u> |

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

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

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

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Demographic and Economic Statistics
Last Ten Fiscal Years (1)

| <u>Fiscal Year</u> | <u>Population (2)</u> | <u>Personal Income (3)</u> | <u>Per Capita Personal Income (4)</u> | <u>Unemployment Rate (5)</u> |
|--------------------|-----------------------|--------------------------------|---|----------------------------------|
| 2007 | 3,200 | n/a | \$ 59,147 | 4.7% |
| 2008 | 3,200 | n/a | n/a | 7.4% |
| 2009 | 3,200 | n/a | n/a | 11.7% |
| 2010 | 3,200 | n/a | n/a | 12.4% |

(1) Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

(2) Population estimate for 2007 as published by the University of Florida, Bureau of Economic and Business Research. Estimated population for 2006 is from Adopted Operating Budget.

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

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

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

n/a Data not available.

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Principal Employers - Palm Beach County

September 30, 2009

| Employer | 2010 | | | 2001(1) | | |
|-----------------------------------|------------------|-------------|--|------------------|-------------|--|
| | <u>EMPLOYEES</u> | <u>RANK</u> | <u>Percentage of Total County Employment</u> | <u>EMPLOYEES</u> | <u>RANK</u> | <u>Percentage of Total County Employment</u> |
| Palm Beach County School District | 20,870 | 1 | 3.82% | | | |
| Palm Beach County | 11,166 | 2 | 2.05% | | | |
| Tenet Healthcare Corp. | 5,127 | 3 | 0.94% | | | |
| Hospital Corporation of America | 4,150 | 4 | 0.76% | | | |
| Florida Power & Light | 3,658 | 5 | 0.67% | | | |
| Wackenhut Corporation | 3,000 | 6 | 0.55% | | | |
| Florida Atlantic University | 2,776 | 7 | 0.51% | | | |
| Bethesda Memorial Hospital | 2,300 | 8 | 0.42% | | | |
| Veterans Health Administration | 2,205 | 9 | 0.40% | | | |
| Boca Raton Community Hospital | 2,200 | 10 | 0.40% | | | |
| | <u>57,452</u> | | <u>10.52%</u> | | | |

Source: Business Development Board of Palm Beach County

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

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
 Full-Time Equivalent Town Government Employees By Function
 Last Ten Fiscal Years (1)

| Function | 2007 | 2008 | 2009 | 2010 |
|--------------------------|------|------|------|------|
| Legislative | (2) | (2) | (2) | (2) |
| Clerk | (2) | (2) | (2) | (2) |
| General government | (2) | (2) | (2) | (2) |
| Community Development | (2) | (2) | (2) | (2) |
| Public Works | (2) | (2) | (2) | (2) |
| Parks | (2) | (2) | (2) | (2) |
| Public Safety: Police | (3) | (3) | (3) | (3) |

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

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

(3) - Police services contracted through Palm Beach County

Source: Town of Loxahatchee Groves Finance Department

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Operating Indicators By Function

Last Ten Fiscal Years (1)

| Function/Program | 2007 | 2008 | 2009 | 2010 |
|---|------|------|------|------|
| Public Safety | | | | |
| Police: | | | | |
| Number of emergency calls for service | (2) | (2) | (2) | (2) |
| Number of non-emergency calls for service | (2) | (2) | (2) | (2) |
| Number of arrests | (2) | (2) | (2) | (2) |
| Number of uniformed officers | (2) | (2) | (2) | (2) |
| Building and Zoning: | | | | |
| Number of building permits issued | (2) | (2) | (2) | (2) |
| Number of certificates of use issued | (2) | (2) | (2) | (2) |
| Number of occupational licenses issued | (2) | (2) | (2) | (2) |
| Culture and Recreation | | | | |
| Number of parks | (3) | (3) | (3) | (3) |

(1) - Information for fiscal years prior to September 30, 2007 are unavailable in this format since the Town was incorporated in November 2006.

(2) - The County provided these services for 2007. In 2008, the Town contracted with the County for these services.

(3)- The County did not transfer any parks during 2007.

Source: Town Clerk

COMPLIANCE SECTION



NOWLEN, HOLT & MINER, P.A.

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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*

BELLE GLADE OFFICE
333 S.E. 2nd STREET
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TELEPHONE (561) 898-5612
FAX (561) 898-8248

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

We have audited the financial statements of the governmental activities and each major fund of the Town of Loxahatchee Groves, Florida as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 17, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's, internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.

We noted certain matters that we have reported to the management of the Town of Loxahatchee Groves in a separate letter dated May 17, 2011.

This report is intended solely for the information and use of the Town Council and management and is not intended to be and should not be used by anyone other than those specified parties.

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida
May 17, 2011



NOWLEN, HOLT & MINER, P.A.

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MANAGEMENT LETTER

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

We have audited the financial statements of the Town of Loxahatchee Groves, as of and for the year ended September 30, 2010, and have issued our report thereon dated May 17, 2011.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our 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*. Disclosures in that report, which is dated May 17, 2011, should be considered conjunction with this management letter.

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

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY

2007-1 Accounting Policies and Procedures Manual

As was noted in prior audits the Town did not have an Accounting Policies and Procedures Manual that had been approved by the Town Council as of September 30, 2010. Subsequent to September 30, 2010, the Accounting Policies and Procedures Manual was completed and approved by the Town Council.

CURRENT YEAR COMMENTS

The Rules of the Auditor General require that we address in the management letter any recommendations to improve financial management. In connection with our audit for the fiscal year ended September 30, 2010, we did not have any such recommendations.

Oversight Unit and Component Units

The Town of Loxahatchee Groves, Florida is a municipal corporation organized pursuant to Chapter 2006-328, 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 component units related to the Town.

Investment of Public Funds

Rules of the Auditor General, require our audit to include a review of the Village's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit for the fiscal year ended September 30, 2010, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

Violations of Contracts and Grant Provisions or Abuse

Rules of the Auditor General, require that we address violations of 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 more than inconsequential. In connection with our audit for the fiscal year ended September 30, 2010, we did not have any such findings.

Consideration of Financial Emergency Criteria

As required by the Rules of the Auditor General, our audit included a review of whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes. The results of our procedures did not disclose that the Town of Loxahatchee Groves has met any of the conditions described in Section 218.503(1) during the year ended September 30, 2009.

Financial Condition Assessment Procedures

As required by Rules of the Auditor General we applied financial condition assessment procedures for the Town of Loxahatchee Groves. It is management's responsibility to monitor the Town'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 management. The results of our procedures did not disclose any matters that are required to be reported.

Annual Financial Report

In connection with our audit, we reviewed the Annual Financial Report of Units of Local Government filed by the Town of Loxahatchee Groves with the Florida Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes, for the year ended September 30, 2010. We noted that the amounts reported in the Annual Financial Report were in substantial agreement with the annual financial audit report for the year ended September 30, 2010.

Matters Inconsequential to the Financial Statements

Rules of the Auditor General, require based on professional judgment, the reporting of the following matters that have an inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit for the fiscal year ended September 30, 2010, we did not have any such findings.

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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Town Council, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida
May 17, 2011