

**TOWN OF LOXAHATCHEE GROVES,
FLORIDA**



Town of
LOXAHATCHEE GROVES

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2012

TOWN OF LOXAHATCHEE GROVES, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

PREPARED BY:
THE TOWN OF LOXAHATCHEE GROVES
UNDERWOOD MANAGEMENT SERVICES GROUP, LLC

TOWN OF LOXAHATCHEE GROVES, FLORIDA
TABLE OF CONTENTS

	PAGE
I. INTRODUCTORY SECTION	
Letter of Transmittal	i-iii
GFOA Certificate	iv
List of Elected Town Officials	v
Organizational Chart	vi
II. FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3-11
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Statement of Net Assets – Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Notes to the Financial Statements	19-30
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances –Budget and Actual– General Fund	31
Schedule of Revenues, Expenditures and Changes in Fund Balances –Budget and Actual– Transportation Fund	32
Notes to Required Supplementary Information	33

TOWN OF LOXAHATCHEE GROVES, FLORIDA
TABLE OF CONTENTS

	PAGE
III. STATISTICAL SECTION	
Net Assets by Component	34
Changes in Net Assets	35
Fund Balances of Governmental Funds	36
Changes in Fund Balances of Governmental Funds	37
General Governmental Revenues by Source	38-39
Assessed Value and Estimated Actual Value of Taxable Property	40-41
Property Tax Rates Direct and Overlapping Governments	42-43
Principal Property Tax Payers	44
Property Tax Levies and Collections	45
Direct and Overlapping Governmental Activities Debt	46
Demographic and Economic Statistics	47
Principal Employers-Palm Beach County	48
Full-Time Equivalent Town Government Employees by Function	49
Operating Indicators by Function	50
IV. COMPLIANCE SECTION	
Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	51-52
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	53-56

INTRODUCTORY SECTION



Town of Loxahatchee Groves

4579 Southern Blvd, Suite 2, Loxahatchee Groves, Florida 33470 (561) 793-2418 Fax (561) 793-2420

March 29, 2013

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, 2012, 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. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The Town of Loxahatchee Groves (the "Town") is a political subdivision of the State of Florida located in Palm Beach County (the "County") incorporated in November 2006. The Town has a population estimated at 3,180 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 "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 and final budget, to receive their comments, and respond to their questions on the budget. A majority affirmative vote of the quorum is needed to adopt the budget, which is legally enacted prior to October 1st by the passage of a Resolution. The Town's budget is approved at the fund level.

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

ECONOMIC CONDITION AND OUTLOOK

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

During 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. For the fiscal year ending September 30, 2012, 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, 2011. For the fiscal year ending September 30, 2012 the Town Council adopted a rate of 1.2 mills. This millage rate results in a total tax levy of \$210,000, representing a reduction of \$53,434 or 20.3% from the property tax levy for 2011. 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 adopted a Comprehensive Plan. Within this plan, the Town will examine the growth opportunities for the Town over the next 10 years. Management will continue to review revenues received from other sources to verify that, as a new government, the Town is receiving those revenues to which it is entitled. The Town will also continue to pursue new revenue streams which will have as little impact on the residents as possible. In addition, the Town will continue to contract 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 legal level of control (level of which expenditures may not exceed the budget) is at the department level for the General Fund and at the fund level for the Transportation Fund.

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, 2012. 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, 2011. 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 Underwood Management Services Group, LLC 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,



Underwood Management Services Group, LLC
Mark A. Kutney, ICMA-CM
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, 2011

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.



Christopher P. Moynell

President

Jeffrey R. Emswiler

Executive Director

TOWN OF LOXAHATCHEE GROVES

List of Elected Town Officials

September 30, 2012

Council-Manager Form of Government

TOWN COUNCIL

David W. Browning, Mayor

James Rockett, Vice Mayor

Tom Goltzene, Councilmember

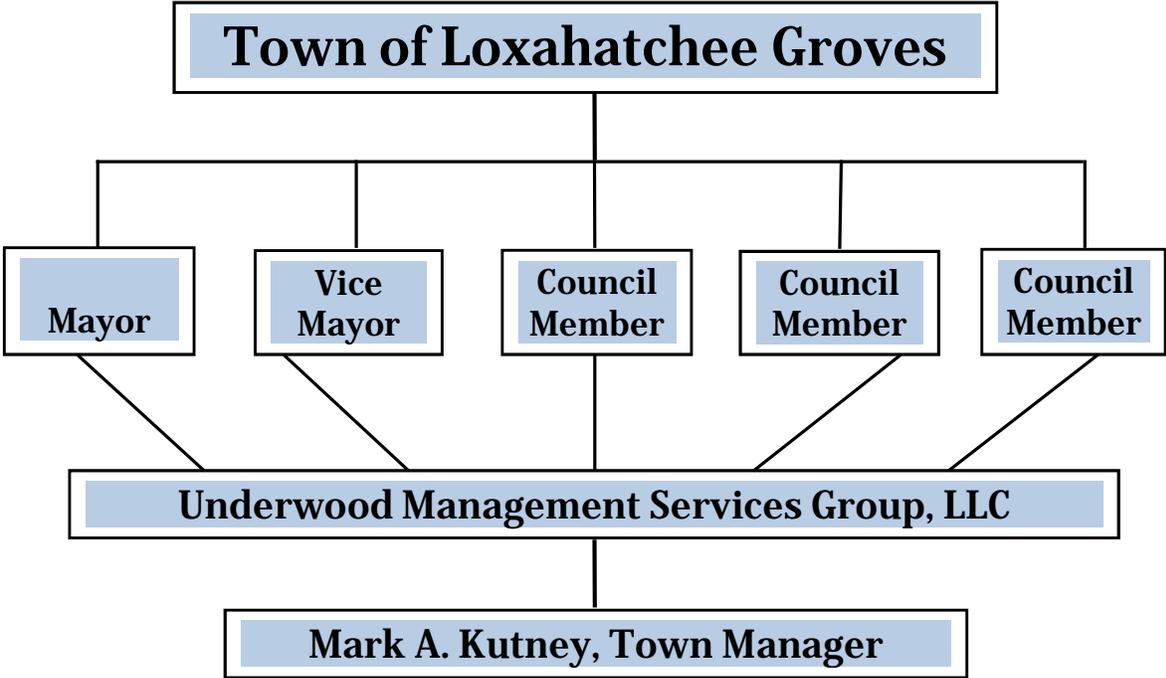
Ronald D. Jarriel, Councilmember

Ryan Liang, Councilmember

Prepared by:

Underwood Management Services Group, LLC

Town of Loxahatchee Groves Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

KATHLEEN A. MINER, CPA
J. MICHAEL STEVENS, CPA
KARA D. PETERSON, CFE, CPA
MARK J. BYMASTER, CPA
PUI K. LAI, CPA
RYAN M. SHORE, CPA

INDEPENDENT AUDITOR'S 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) 996-5612
FAX (561) 996-6248

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Loxahatchee Groves, Florida as of and for the year ended September 30, 2012, 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, the business-type activities and each major fund of the Town of Loxahatchee Groves, Florida as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows, 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 March 29, 2013, on our consideration of the Town of Loxahatchee Groves, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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 31 through 33 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 as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. 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 do not express an opinion or provide any assurance on them.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
March 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

Management's Discussion and Analysis

As management of the Town of Loxahatchee Groves, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Loxahatchee Groves (the Town) for the fiscal year ended September 30, 2012. 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 2012

- Ø At September 30, 2012, the assets of the Town of Loxahatchee Groves exceeded its liabilities by \$3,064,310 of which \$55,475 was invested in capital assets and \$642,359 was restricted by law or agreements. The Town had \$2,366,476 (*unrestricted net assets*) which may be used to meet the Town's ongoing obligations to citizens and creditors.
- Ø During the fiscal year 2012, net assets increased by \$395,382. The increase is attributable to excess revenues over expenses.
- Ø At September 30, 2012, the Town of Loxahatchee Grove's General Fund reported an ending fund balance of \$1,334,787, a decrease of \$710,348 as compared with the prior year. Of the total fund balance, \$1,311,888 or 98% of this total amount is available for spending at the government's discretion (*unreserved fund balance*). The unreserved fund balance represents 153% 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.

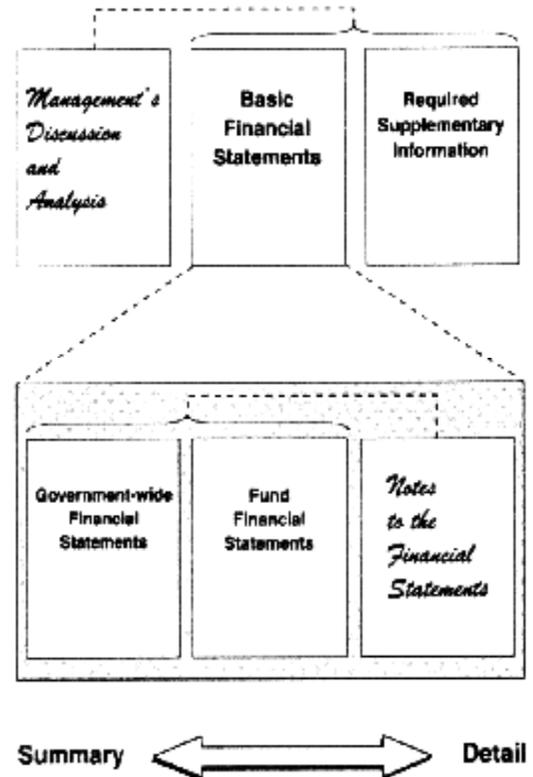
The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* which further explains and supports the information in the financial statements. 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.

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).

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



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

The government-wide financial statements can be found on pages 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.

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

The Town maintains three governmental funds; the General Fund, the Transportation Fund and the Capital Improvement 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.

Enterprise funds. The Town has one enterprise fund, the Sanitation Fund, which charges customers for the services provided. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The basic proprietary fund financial statements can be found on pages 16-18 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 19 to 30 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. In the case of the Town, governmental activity assets exceeded liabilities by \$3,032,621. Business-type activity liabilities exceeded assets by \$31,689. The Town-wide total net assets were \$3,064,310 at the close of the fiscal year ended September 30, 2012. The Statement of Net Assets is on page 12 of this report.

The Town's investment in capital assets (e.g., land, buildings, equipment and vehicles, less any related debt used to acquire those assets that is still outstanding) was \$55,475 or 1.8% of total net assets at September 30, 2012. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the net assets \$642,359 or 21% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2,334,787 or 76% may be used to meet the government's ongoing obligations to citizens and creditors. The following table reflects the condensed Statement of Net Assets for the current year as compared to the prior year.

**Table 1
Town of Loxahatchee Groves
Summary of Net Assets**

	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 3,008,829	\$ 2,692,194	\$ 31,689	\$ 33,533	\$ 3,040,518	\$ 2,725,727
Capital assets	55,475	7,600	-	-	55,475	7,600
Total assets	<u>3,064,304</u>	<u>2,699,794</u>	<u>31,689</u>	<u>33,533</u>	<u>3,095,993</u>	<u>2,733,327</u>
Liabilities:						
Other liabilities	31,683	26,764	-	37,635	31,683	64,399
Total liabilities	<u>31,683</u>	<u>26,764</u>	<u>-</u>	<u>37,635</u>	<u>31,683</u>	<u>64,399</u>
Net assets:						
Invested in capital assets	55,475	7,600	-	-	55,475	7,600
Restricted	642,359	620,295	-	-	642,359	620,295
Unrestricted	2,334,787	2,045,135	31,689	(4,102)	2,366,476	2,041,033
Total net assets	<u>\$ 3,032,621</u>	<u>\$ 2,673,030</u>	<u>\$ 31,689</u>	<u>\$ (4,102)</u>	<u>\$ 3,064,310</u>	<u>\$ 2,668,928</u>

Governmental Activities.

- Ø During the fiscal year 2012, the Town's assets increased by \$316,635 or 11.8%. The increase is mainly due to increases in cash as a result of the current year's operations.
- Ø Capital assets increased primarily due to construction of a right-of-way crossing at 148th Terrace.

Business Activities.

- Ø The funding for the operation is derived from an assessment placed up residential properties within the Town's jurisdiction.
- Ø The Town assesses 1,260 residential properties \$372.73 per year for both the collection and disposal of solid waste.
- Ø Palm Beach County Property Appraiser notifies all affected property owners of the amount, public hearing date, and location of the meeting when the Town will adopt the Tentative Assessment.
- Ø Palm Beach County Tax Collector receives all Town ad valorem tax and assessment payments and remits the funds to the Town.

The following is a summary of the changes in net assets for the years ended September 30, 2012 and 2011: Key indicators, including revenues and expenditures by category are presented herein for review:

Table 2
Town of Loxahatchee Groves
Changes in Net Assets

	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 107,895	\$ 11,948	\$ 464,987	\$ 464,023	\$ 572,882	\$ 475,971
Capital grants and contributions	49,813	-	-	-	49,813	-
General revenues:						
Property taxes	214,645	263,170	-	-	214,645	263,170
Franchise fees	193,270	207,153	-	-	193,270	207,153
Utility taxes	341,596	345,155	-	-	341,596	345,155
Intergovernmental	648,838	635,918	-	-	648,838	635,918
Investment/other income	1,191	20,064	-	1,636	1,191	21,700
Total revenues	<u>1,557,248</u>	<u>1,483,408</u>	<u>464,987</u>	<u>465,659</u>	<u>2,022,235</u>	<u>1,949,067</u>
Expenses:						
General Government	580,508	477,173	-	-	580,508	477,173
Public safety	274,911	274,785	-	-	274,911	274,785
Physical environment	342,238	182,996	-	-	342,238	182,996
Sanitation			429,196	469,761	429,196	469,761
Total expenses	<u>1,197,657</u>	<u>934,954</u>	<u>429,196</u>	<u>469,761</u>	<u>1,626,853</u>	<u>1,404,715</u>
Increase (decrease) in net assets	359,591	548,454	35,791	(4,102)	395,382	544,352
Net assets, beginning	<u>2,673,030</u>	<u>2,124,576</u>	<u>(4,102)</u>	<u>-</u>	<u>2,668,928</u>	<u>2,124,576</u>
Net assets, ending	<u>\$ 3,032,621</u>	<u>\$ 2,673,030</u>	<u>\$ 31,689</u>	<u>\$ (4,102)</u>	<u>\$ 3,064,310</u>	<u>\$ 2,668,928</u>

Governmental Activities.

For fiscal year 2012, total revenues increased by \$73,840. Property tax revenues decreased \$48,525 or 18% as a direct result of the housing market crisis and the downturn in the economy. Investment and other income decreased \$18,873 or 94% due to a cost sharing arrangement with a special district in the Town. Charges for services increased \$95,947 or 803% due to improved assessment and collection of cost recovery fees for development projects within the Town. Unrestricted intergovernmental revenues increased \$12,920 or 2%, franchise fee revenue decreased by \$13,883 or 6.7%, and utility tax revenue decreased by \$3,559 or 1%. The decrease in utility tax revenue was primarily due to the continued recession affecting all operations within the Town.

Total expenses increased by \$262,703 or 28% primarily due to contracted increases in municipal services and improvements in physical assets.

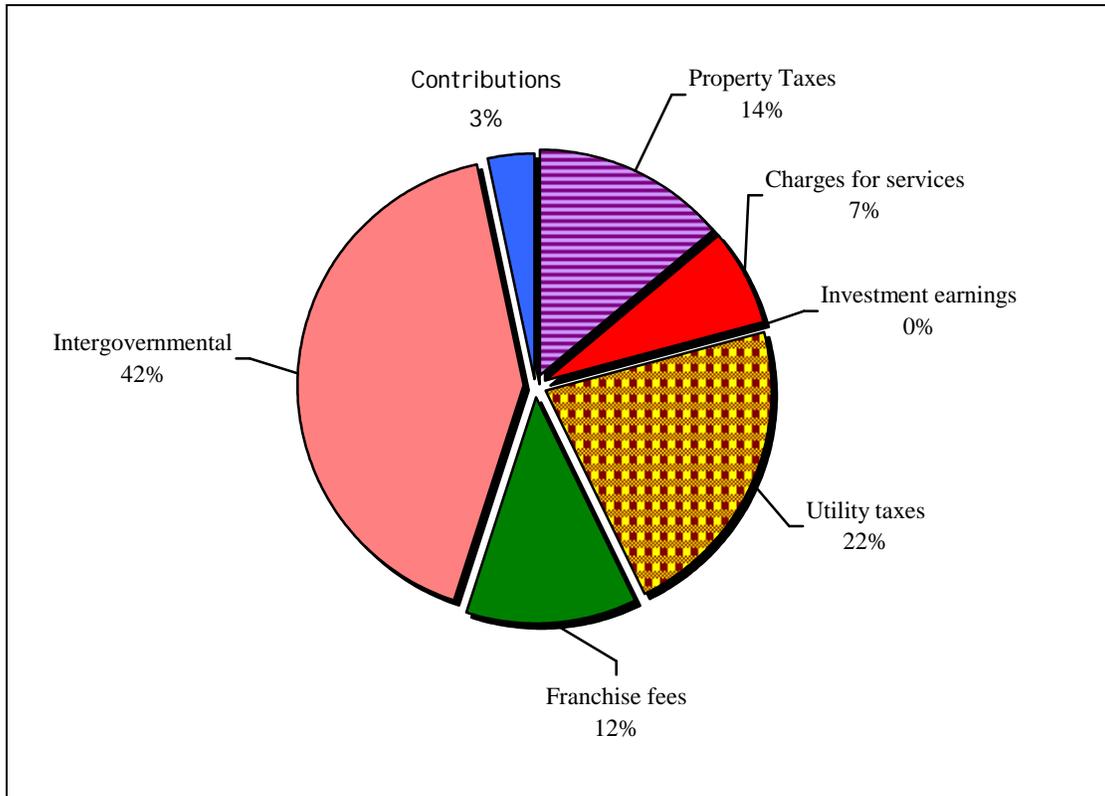
Business Activities.

Fiscal year 2012 is the second year the Town operated a proprietary fund as an enterprise fund within the Town's oversight. Revenue earned by business-type activities is primarily concentrated in one source, charges for services, \$464,987. This figure represents the fees assessed for the City's enterprise fund, Solid Waste. Operating revenues decreased by \$964 or 0.2% from a year ago for the Solid Waste Fund.

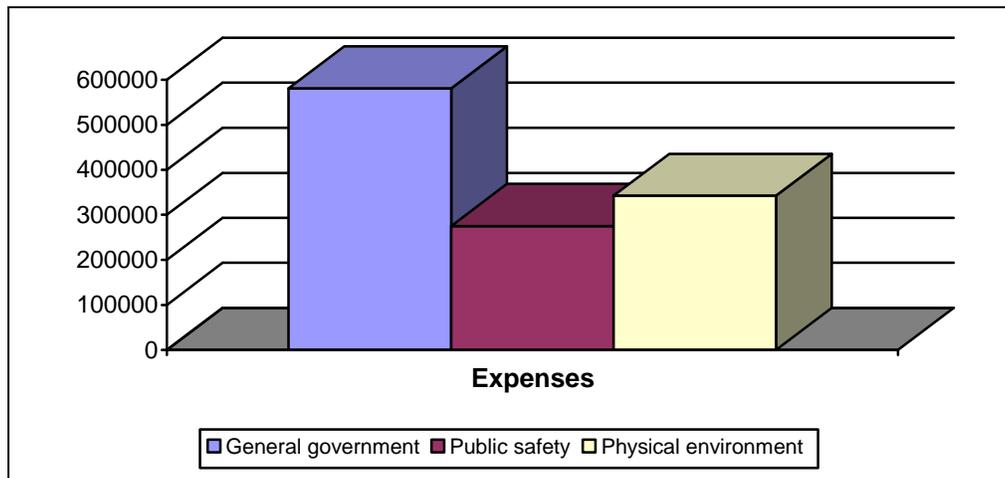
For business-type expenses, the \$429,196 represents Solid Waste expenses. The decrease of \$40,565 in total expense was the result of the decreases in costs of solid waste operations. As the Town controlled costs substantially during the year, the Town was able to increase its net assets by \$359,591 for the governmental activities and ended its second year of solid waste operations with net income of \$35,791 for the business-type activities.

Figure A-1

**Town of Loxahatchee Groves
Revenues by Source – Governmental Activities
For the Fiscal Year Ended September 30, 2012**



**Figure A-2
Town of Loxahatchee Groves
Expenses – Governmental Activities
For the Fiscal Year Ended September 30, 2012**



Financial Analysis of the Government’s Funds

The Town maintains three governmental funds; the General Fund, the Transportation Fund and the Capital Improvement Fund.

The Town adopts an annual appropriated budget for both the General Fund and the Transportation Fund. The General Fund provides revenues and resources for basic governmental services. Whereas the Transportation Fund is funded through a dedicated local option gas tax and can only be used for transportation related expenses such as road, street maintenance, and construction.

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 \$1,334,787 a decrease of \$710,348 in comparison with the prior fiscal year.

A summary of the General Fund’s condensed balance sheet and statement of revenues, expenditures and changes in fund balance for September 30, 2012 and 2011 is shown below:

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

	2012	2011	Change	% Change
Total assets	<u>\$ 1,410,139</u>	<u>\$ 2,068,451</u>	<u>(\$658,312)</u>	(32)%
Total liabilities	75,352	23,316	52,036	223%
Nonspendable fund balance	22,899	28,437	(5,538)	(19)%
Assigned fund balance		1,000,000	(1,000,000)	(100)%
Unassigned fund balance	<u>1,311,888</u>	<u>1,016,698</u>	<u>295,190</u>	29%
Total fund balance	<u>1,334,787</u>	<u>2,045,135</u>	<u>(710,348)</u>	(35)%
Total liabilities and fund balance	<u>\$ 1,410,139</u>	<u>\$ 2,068,451</u>	<u>(\$658,312)</u>	(32)%

During the fiscal year 2012, the General Fund assets decreased by \$658,312 or 32%. The decrease is mainly due to decreases in cash as a result of the current year’s operations. Liabilities increased by \$52,036 or 223% mainly due to an increase in due to other funds. Total fund balance decreased by \$710,348 or 35% due to expenditures exceeding revenues. Unassigned fund balance increased by \$295,190 or 29% and assigned fund balance decreased by \$1,000,000 due to the budgeted transfer in the creation of the Capital Project Fund.

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

	2012	2011	Change	% Change
Total revenues	\$ 1,194,310	\$ 1,129,436	\$ 64,874	6%
Total expenditures	855,745	755,856	99,889	13%
Excess of revenues over expenditures	338,565	373,580	(35,015)	(9)%
Other financing uses	(1,048,913)		(1,048,913)	
Change in fund balance	(710,348)	373,580	(1,083,928)	(290)%
Fund balance, beginning	2,045,135	1,671,555	373,580	22%
Fund balance ending	\$ 1,334,787	\$ 2,045,135	(\$710,348)	(35)%

The Town of Loxahatchee Groves General Fund revenues increased \$64,874 or 6%. Although property tax revenues decreased \$48,525, investment income decreased \$20,509; however, these decreases were offset by increases in charges for services of \$96,911 due to improvements in the economy and the assessment and collection of cost recovery fees.

Total expenditures increased \$99,889 or 13% due to the Town increasing services necessary to meet the demands of a new government.

A net reduction in General Fund fund balance of \$710,348 is the result of a transfer to the Capital Improvement Fund of \$1,000,000, and Transportation Fund of \$48,913 less excess revenue of \$338,565. As a result, the Capital Improvement Fund fund balance increased to \$1,000,000, the Transportation Fund fund balance increased due to the transfer from General Fund to \$642,359.

In the Town's enterprise fund, Solid Waste, operations provided \$35,791 improvement moving the Net Assets from \$(4,102) to \$31,689.

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 intra-department level budget transfers between expenditure categories without Council approval; however, inter-department and fund total changes require Council-approved budget amendments adopted by resolution.

The estimated revenues are lagging \$31,937 or 3% behind the estimated revenue caused primarily by a reduction in citizen usage of electric, and water consumption and an assumed increase in intergovernmental revenues. However, the unanticipated drop in revenue was somewhat mitigated by a \$17,141 favorable variance in expenditures below appropriations. The most significant saving occurred within the planning and zoning function of the Town where \$11,477 or 12% of the appropriation was not used.

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

Over the course of the year, the Town did amend the General Fund budget. The fiscal year final 2012 budget was \$1.2 million. Revenues failed to meet budgeted amounts by approximately \$32 thousand and expenses were approximately \$18 thousand below budgeted amounts. General government, \$17 thousand, was the most significant contributor to this variance.

Budget versus actual schedules are presented on page 31 for the General Fund.

Transportation Special Revenue Fund

The fund balance of the Transportation Special Revenue Fund increased by \$22,064, which was close to the budgeted surplus of \$17,651.

Capital Improvement Fund

The Capital Improvement Fund had an ending fund balance of \$1,000,000 due to a transfer from the General Fund for future projects. The Town Council is still in the process of identifying and prioritizing projects to be funded.

Capital Assets and Long Term Debt

As of September 30, 2012, the Town's investment in capital assets amounted to \$55,475 (net of accumulated depreciation). More details relating to capital assets can be found on page 27 of the footnotes.

The Town has no long term debt.

Economic Factors and Next Year's Budgets and Rates

- Ø In setting its fiscal 2012-2013 budget, the Town adopted a millage rate of 1.20.
- Ø The Town of Loxahatchee Groves anticipates that the total assessed property value will increase 1.0% for 2013. Accordingly, the Town's reserves that have been built up will secure the Town's income flow for the upcoming fiscal years.

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

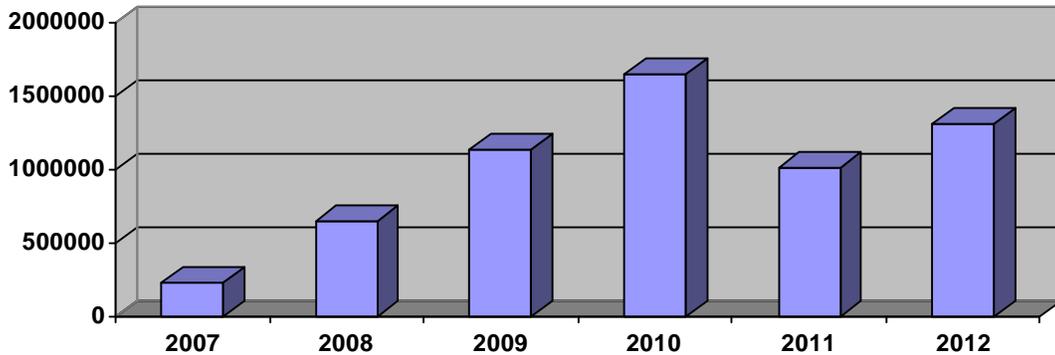
On January 29, 2008 the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment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

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

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

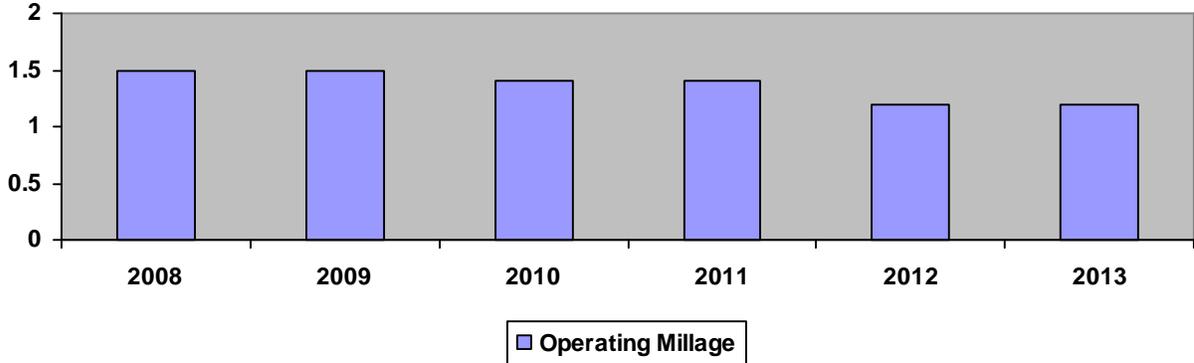
Revenues in the FY 2013 adopted General Fund budget are \$1.53 million, an increase of approximately 28% from the FY 2012 actual revenues of \$1.19 million. Fiscal year 2013 budgeted expenditures are expected to be consistent with actual expenses of \$1.25 million for fiscal year 2012.

**General Fund Unassigned Surplus
For the Fiscal Years ended September 30, 2007-2012**



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, 2008-2013**



The operating millage rate for tax year 2012, which is collected in fiscal year 2013, is 1.2 or \$1.20 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 2013 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 Manager, 14579 Southern Blvd., Suite 2, Loxahatchee Groves, Florida 33470.

BASIC FINANCIAL STATEMENTS

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Net Assets
September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,840,454	\$ 31,689	\$ 2,872,143
Receivables			
Planning and zoning	16,549		16,549
Franchise and utility taxes	56,963		56,963
Due from other governments	71,964		71,964
Prepaid items	22,899		22,899
Capital assets			
Non-depreciable	3,932		3,932
Depreciable (net of depreciation)	51,543		51,543
 Total assets	 <u>3,064,304</u>	 <u>31,689</u>	 <u>3,095,993</u>
LIABILITIES AND NET ASSETS			
 Accounts payable	 14,090		 14,090
Deposits for planning and zoning	17,593		17,593
 Total liabilities	 <u>31,683</u>		 <u>31,683</u>
 Net Assets			
Invested in capital assets	55,475		55,475
Restricted for:			
Transportation	642,359		642,359
Unrestricted	2,334,787	31,689	2,366,476
 Total net assets	 <u>\$ 3,032,621</u>	 <u>\$ 31,689</u>	 <u>\$ 3,064,310</u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Activities
For the Year Ended September 30, 2012

Function / Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net assets		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities							
General government	\$ 580,508	\$ 107,895	\$	\$	\$ (472,613)	\$	\$ (472,613)
Public safety	274,911				(274,911)		(274,911)
Physical environment	342,238			49,813	(292,425)		(292,425)
Total governmental activities	<u>1,197,657</u>	<u>107,895</u>		<u>49,813</u>	<u>(1,039,949)</u>		<u>(1,039,949)</u>
Business-type activities							
Sanitation	429,196	464,987				35,791	35,791
Total	<u>\$ 1,626,853</u>	<u>\$ 572,882</u>	<u>\$</u>	<u>\$ 49,813</u>	(1,039,949)	35,791	(1,004,158)
		General revenues					
		Property taxes			214,645		214,645
		Franchise taxes			193,270		193,270
		Utility taxes			341,596		341,596
		Intergovernmental (unrestricted)			648,838		648,838
		Interest and other			1,191		1,191
		Total general revenues			<u>1,399,540</u>		<u>1,399,540</u>
		Change in net assets			359,591	35,791	395,382
		Net assets, beginning of year			<u>2,673,030</u>	<u>(4,102)</u>	<u>2,668,928</u>
		Net assets, end of year			<u>\$ 3,032,621</u>	<u>\$ 31,689</u>	<u>\$ 3,064,310</u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2012

	Major Funds			Total
	General	Transportation Special Revenue	Capital Improvement	
ASSETS				
Cash and cash equivalents	\$ 1,269,799	\$ 570,655	\$ 1,000,000	\$ 2,840,454
Receivables				
Planing and zoning	16,549			16,549
Franchise and utility taxes	56,963			56,963
Due from other governments	43,929	28,035		71,964
Due from other funds		48,913		48,913
Prepaid items	22,899			22,899
Total assets	\$ 1,410,139	\$ 647,603	\$ 1,000,000	\$ 3,057,742
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 8,846	\$ 5,244	\$	\$ 14,090
Deposits for planning and zoning	17,593			17,593
Due to other funds	48,913			48,913
Total liabilities	75,352	5,244		80,596
Fund balances				
Nonspendable:				
Prepaid items	22,899			22,899
Restricted for:				
Transportation		642,359		642,359
Assigned for capital projects			1,000,000	1,000,000
Unassigned	1,311,888			1,311,888
Total fund balances	1,334,787	642,359	1,000,000	2,977,146
Total liabilities and fund balances	\$ 1,410,139	\$ 647,603	\$ 1,000,000	\$ 3,057,742

Reconciliation to the Statement of Net Assets

Fund balances - governmental fund	\$ 2,977,146
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	55,475
Net assets of governmental activities	\$ 3,032,621

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Year Ended September 30, 2012

	Major Funds			Total
	General	Transportation Special Revenue	Capital Improvement	
Revenues				
Property taxes	\$ 214,645	\$	\$	\$ 214,645
Franchise taxes	193,270			193,270
Utility service taxes	341,596			341,596
Intergovernmental revenues	285,900	362,938		648,838
Licenses and permits	10,518			10,518
Charges for services	61,650			61,650
Fines and forfeitures	35,727			35,727
Contributions from private sources	49,813			49,813
Interest and other	1,191			1,191
Total revenues	<u>1,194,310</u>	<u>362,938</u>		<u>1,557,248</u>
Expenditures				
Current				
General government	578,987			578,987
Public safety	274,911			274,911
Physical environment	1,847	339,124		340,971
Capital outlay		50,663		50,663
Total expenditures	<u>855,745</u>	<u>389,787</u>		<u>1,245,532</u>
Excess (deficiency) of revenues over (under) expenditures	<u>338,565</u>	<u>(26,849)</u>		<u>311,716</u>
Other financing sources				
Transfers in		48,913	1,000,000	1,048,913
Transfers out	(1,048,913)			(1,048,913)
Total other financing sources	<u>(1,048,913)</u>	<u>48,913</u>	<u>1,000,000</u>	
Net change in fund balance	<u>(710,348)</u>	<u>22,064</u>	<u>1,000,000</u>	<u>311,716</u>
Fund balances, beginning of year	<u>2,045,135</u>	<u>620,295</u>		<u>2,665,430</u>
Fund balances, end of year	<u>\$ 1,334,787</u>	<u>\$ 642,359</u>	<u>\$ 1,000,000</u>	<u>\$ 2,977,146</u>

Reconciliation to the Statement of Activities

\$ 311,716

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.

Expenditures for capital assets	\$ 50,663
Less: current year depreciation	<u>(2,788)</u>
	<u>\$ 359,591</u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Statement of Net Assets

Proprietary Fund

September 30, 2012

	<u>Sanitation Fund</u>
ASSETS	
Cash and cash equivalents	\$ 31,689
Total assets	<u>31,689</u>
LIABILITIES AND FUND BALANCE	
Net Assets	
Unrestricted	<u><u>\$ 31,689</u></u>

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Revenues, Expenses, and Changes
in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2012

	Sanitation Fund
Operating revenues	
Charges for services	\$ 464,987
Operating expenses	
Solid waste contractor	413,998
Contractual waste oversight	9,500
Other expenses	5,698
Total operating expenses	429,196
Change in net assets	35,791
Net assets, beginning of year	(4,102)
Net assets, end of year	\$ 31,689

See notes to the financial statements

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2012

	<u>Sanitation Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 464,987
Payments to suppliers	<u>(466,831)</u>
Net cash used by operating activities	<u>(1,844)</u>
Net decrease in cash and cash equivalents	(1,844)
Cash and cash equivalents, beginning of year	<u>33,533</u>
Cash and cash equivalents, end of year	<u><u>\$ 31,689</u></u>
Cash flows from operating activities	
Operating income	\$ 35,791
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	<u>(37,635)</u>
Net cash used by operating activities	<u><u>\$ (1,844)</u></u>

See notes to the financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2012

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 generally accepted accounting standards, 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 government 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 activities of the primary government.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For the most part, the effect of inter-fund activity has been removed from these statements, except for inter-fund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. The Town does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which levied, and since the Town consistently has no material uncollected property taxes at year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (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 primarily State shared revenues that are restricted for transportation related expenditures.

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

Proprietary Fund

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private sector guidance.

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

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Prepaid Items

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

Interfund Transactions

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

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

Capital Assets

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

As of September 30, 2012 the County has only transferred one piece of land that would be considered 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 to 10 years
Improvements	20 to 30 years

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2012

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

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

- Nonspendable fund balance represents amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance represents amounts that can be spent only for specific purposes stipulated by external providers (e.g. creditors, grantors, contributor, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance represents amounts that can be used only for the specific purposes pursuant to constraints imposed by Town Council by the adoption of an ordinance, the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by the adoption of an ordinance.
- Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes, as expressed by the Town Council that are neither considered restricted or committed.
- Unassigned fund balance is the residual fund balance classification for the general fund.

The Town will first use restricted fund balance then committed fund balance then assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

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

1. Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of two resolutions – one establishing a milage rate and another adopting the final budget.
4. The Town prepares and adopts budgets for the General Fund and Transportation Fund. No differences exist between the budgetary and GAAP basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Town Council. If, at any time during the fiscal year, it appears probable to the Town Manager that the revenues available will be insufficient to meet the amount appropriated, the Town Manager shall report to the Council without delay, indicating the estimated amount of the deficit, any remedial action taken, and recommendations as to any other steps that should be taken. The Council shall then take such further action as it deems necessary to prevent or minimize any deficit and, for that purpose, the council may by resolution reduce one or more appropriations accordingly. The legal level of control (level of which expenditures may not exceed the budget) is at the department level for the General Fund and at the fund level for the Transportation Fund.
5. Appropriations along with encumbrances lapse on September 30.
6. During the fiscal year ended September 30, 2012, there were five supplemental appropriations.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2012

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

Property Taxes

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

The tax levy of the Town is established by the Town Council prior to October 1 of each year, and the Palm Beach County Property Appraiser incorporates the Town's millages into the total tax levy, which includes Palm Beach County and Palm Beach County School Board tax requirements. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the Town for the year ended September 30, 2012, was 1.200 mills (\$1.200 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.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 3 - CASH AND INVESTMENTS

Deposits

As of September 30, 2012, the carrying amounts of the Town's deposits were \$2,872,143 and the bank balances totaled \$2,892,308. All cash deposits are covered by FDIC insurance or the multiple financial institution collateral pool administered by the State of Florida. The collateral pool was created pursuant to the Florida Security for Deposits Act, Chapter 280, Florida Statutes.

The 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 \$2,892,308 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, 2012

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

Primary Government

Governmental activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,932	\$	\$	\$ 3,932
Capital assets being depreciated:				
Equipment	8,753			8,753
Improvements		50,663		50,663
Less accumulated depreciation	(5,085)	(2,788)		(7,873)
Governmental activities capital assets, net	<u>\$ 7,600</u>	<u>\$ 47,875</u>	<u>\$</u>	<u>\$ 55,475</u>

Depreciation expense of \$1,521 was charged to the general government function and \$1,267 was charged to the physical environment functions 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.

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

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 6 – COMMITMENTS

Professional Services Agreement- Management Services

The Town has entered into a professional service agreement for the positions of Town Manager, Town Clerk and financial reporting services. The current contract started on October 1, 2011, and expires on September 30, 2014, and calls for monthly payments of \$20,885. The contract was amended to include additional services for a total monthly payment of \$27,135. 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 three addendums to the agreement to amend the term and payments. The agreement currently expires on September 30, 2013, 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. The monthly rate for October 1, 2012, was \$37,626.

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 7 – NEW ACCOUNTING STANDARDS

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

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for the fiscal year ending September 30, 2013. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 directly incorporates the applicable guidance from FASB and AICPA pronouncements into the state and local government accounting and financial reporting standards, with provisions modified, as appropriate, to recognize the effects of the governmental environment and the needs of governmental financial statement users without affecting the substance of the applicable guidance. This statement is effective for the fiscal year ending September 30, 2013. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement is effective for the fiscal year ending September 30, 2013. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

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

TOWN OF LOXAHATCHEE GROVES, FLORIDA
Notes to the Financial Statements
September 30, 2012

NOTE 7 – NEW ACCOUNTING STANDARDS (Continued)

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

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, 2012

	Budget Amounts		Actual Amounts	Variance
	Original	Final Revised		
Revenues				
Property taxes	\$ 210,000	\$ 214,645	\$ 214,645	\$
Franchise taxes	212,000	206,000	193,270	(12,730)
Utility service taxes	341,392	347,392	341,596	(5,796)
Intergovernmental revenues	285,458	294,558	285,900	(8,658)
Licenses and permits	25,000	10,519	10,518	(1)
Charges for services	5,000	66,400	61,650	(4,750)
Fines and forfeitures	5,000	35,728	35,727	(1)
Contributions from private sources			49,813	49,813
Interest and other	5,000	51,005	1,191	(49,814)
Total revenues	<u>1,088,850</u>	<u>1,226,247</u>	<u>1,194,310</u>	<u>(31,937)</u>
Expenditures				
General government				
Legislative	11,700	12,800	9,923	2,877
Executive	268,125	272,088	270,261	1,827
Financial and administrative	39,000	32,718	33,372	(654)
Legal	50,000	67,500	67,402	98
Planning and zoning	35,000	96,250	84,773	11,477
Other general government	392,546	114,772	113,256	1,516
Total general government	<u>796,371</u>	<u>596,128</u>	<u>578,987</u>	<u>17,141</u>
Public safety				
Police	<u>278,785</u>	<u>275,285</u>	<u>274,911</u>	<u>374</u>
Physical environment				
Sanitation		<u>2,000</u>	<u>1,847</u>	<u>153</u>
Total expenditures	<u>1,075,156</u>	<u>873,413</u>	<u>855,745</u>	<u>17,668</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,694</u>	<u>352,834</u>	<u>338,565</u>	<u>14,269</u>
Other financing sources				
Transfers out	(1,013,694)	(1,048,913)	(1,048,913)	
Appropriation of fund balance	1,000,000	696,079		(696,079)
Total other financing sources	<u>(13,694)</u>	<u>(352,834)</u>	<u>(1,048,913)</u>	<u>(696,079)</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	(710,348)	<u>\$ (681,810)</u>
Fund balance, beginning of year			<u>2,045,135</u>	
Fund balance, end of year			<u>\$ 1,334,787</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, 2012

	Budget Amounts		Actual Amounts	Variance
	Original	Final Revised		
Revenues				
Intergovernmental revenues	\$ 358,449	\$ 362,179	\$ 362,938	\$ 759
Total revenues	<u>358,449</u>	<u>362,179</u>	<u>362,938</u>	<u>759</u>
Expenditures				
Physical environment				
Roads and streets	<u>358,449</u>	<u>393,441</u>	<u>389,787</u>	<u>3,654</u>
Total expenditures	<u>358,449</u>	<u>393,441</u>	<u>389,787</u>	<u>3,654</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(31,262)</u>	<u>(26,849)</u>	<u>(4,413)</u>
Other financing sources				
Transfers in		48,913	48,913	
Transfer to fund balance		<u>(17,651)</u>		<u>17,651</u>
Total other financing sources		<u>31,262</u>	<u>48,913</u>	<u>17,651</u>
Net change in fund balance	<u>\$</u>	<u>\$</u>	22,064	<u>\$ 13,238</u>
Fund balance, beginning of year			<u>620,295</u>	
Fund balance, end of year			<u>\$ 642,359</u>	

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Notes to the Required Supplementary Information (RSI)

September 30, 2012

Note 1 - Basis of Accounting

Budgetary comparison schedules are presented for the General Fund and Transportation Fund, as required by generally accepted accounting principles. The budgetary process is described in Note 2 to the financial statements on page 24. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Note 2 - Stewardship, Compliance, and Accountability

Appropriations are legally controlled at the department level for the General Fund and at the fund level for the Transportation Fund. Expenditures may not legally exceed budgeted appropriations at that level. For the year ended September 30, 2012, the following departments or funds had an excess of expenditures over appropriations.

General Fund

Financial and administrative	\$	654
------------------------------	----	-----

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

Page

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:

Net Assets by Component	34
Changes in Net Assets	35
Fund Balances of Governmental Funds	36
Changes in Fund Balances of Governmental Funds	37
General Governmental Revenues by Source	38-39

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	40-41
Property Tax Rates Direct and Overlapping Governments	42-43
Principal Property Tax Payers	44
Property Tax Levies and Collections	45

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	46
---	----

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.

Demographic and Economic Statistics	47
Principal Employers-Palm Beach County	48

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	49
Operating Indicators by Function	50

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>	<u>2011</u>
Governmental activities:					
Invested in capital assets (net of depreciation)	\$ 4,369	\$ 3,480	\$ 5,100	\$ 3,656	\$ 7,600
Restricted		16,849	315,885	449,365	620,295
Unrestricted	228,241	658,888	1,133,301	1,671,555	2,045,135
Total governmental activities net assets	<u>\$ 232,610</u>	<u>\$ 679,217</u>	<u>\$ 1,454,286</u>	<u>\$ 2,124,576</u>	<u>\$ 2,673,030</u>
Business-type activities					
Unrestricted	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (4,102)</u>
Primary government:					
Invested in capital assets (net of depreciation)	\$ 4,369	\$ 3,480	\$ 5,100	\$ 3,656	\$ 7,600
Restricted			315,885	449,365	620,295
Unrestricted	228,241	653,424	1,133,301	1,671,555	2,041,033
Total primary government net assets	<u>\$ 232,610</u>	<u>\$ 656,904</u>	<u>\$ 1,454,286</u>	<u>\$ 2,124,576</u>	<u>\$ 2,668,928</u>
	<u>2012</u>				
Governmental activities:					
Invested in capital assets (net of depreciation)	\$ 55,475				
Restricted	642,359				
Unrestricted	2,334,787				
Total governmental activities net assets	<u>\$ 3,032,621</u>				
Business-type activities					
Unrestricted	<u>\$ 31,689</u>				
Primary government:					
Invested in capital assets (net of depreciation)	\$ 55,475				
Restricted	642,359				
Unrestricted	2,366,476				
Total primary government net assets	<u>\$ 3,064,310</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)

	2007	2008	2009	2010	2011	2012
EXPENSES						
Governmental activities:						
General government	\$ 113,836	\$ 581,459	\$ 558,728	\$ 451,305	\$ 477,173	\$ 580,508
Public safety	-	241,921	280,295	272,064	274,785	274,911
Physical environment	-	383,508	480,523	716,178	182,996	342,238
Total governmental activities	<u>113,836</u>	<u>1,206,888</u>	<u>1,319,546</u>	<u>1,439,547</u>	<u>934,954</u>	<u>1,197,657</u>
Business-type activities:						
Sanitation	-	-	-	-	469,761	429,196
Total primary government expenses	<u>113,836</u>	<u>1,206,888</u>	<u>1,319,546</u>	<u>1,439,547</u>	<u>1,404,715</u>	<u>1,626,853</u>
PROGRAM REVENUES						
Governmental activities:						
Charges for services:						
General government	14	8,119	12,496	12,743	11,948	107,895
Public safety	-	1,500	-	-	-	-
Physical environment	-	330,238	500,260	445,368	-	-
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	453	49,813
Total governmental activities program revenues	<u>14</u>	<u>339,857</u>	<u>512,756</u>	<u>458,111</u>	<u>12,401</u>	<u>157,708</u>
Business-type activities:						
Charges for services-Sanitation	-	-	-	-	464,023	464,987
Total primary government program revenues	<u>14</u>	<u>339,857</u>	<u>512,756</u>	<u>458,111</u>	<u>476,424</u>	<u>622,695</u>
Net (expense) revenue						
Governmental activities	(113,822)	(867,031)	(806,790)	(981,436)	(922,553)	(1,039,949)
Business-type activities	-	-	-	-	(5,738)	35,791
Total primary government net (expenses) revenue	<u>(113,822)</u>	<u>(867,031)</u>	<u>(806,790)</u>	<u>(981,436)</u>	<u>(928,291)</u>	<u>(1,004,158)</u>
General revenues and Other Changes in Net Assets:						
Governmental activities:						
Property taxes	-	508,845	446,294	321,912	263,170	214,645
Utility taxes	154,857	205,802	268,748	481,710	345,155	341,596
Franchise fees based on gross receipts	65,729	218,236	232,172	208,158	207,153	193,270
Unrestricted intergovernmental revenue	124,459	361,896	625,617	633,171	635,465	648,838
Interest and other	1,387	18,859	9,028	6,775	20,064	1,191
Total governmental activities	<u>346,432</u>	<u>1,313,638</u>	<u>1,581,859</u>	<u>1,651,726</u>	<u>1,471,007</u>	<u>1,399,540</u>
Business-type activities:						
Interest and other	-	-	-	-	1,636	-
Total primary government	<u>346,432</u>	<u>1,313,638</u>	<u>1,581,859</u>	<u>1,651,726</u>	<u>1,472,643</u>	<u>1,399,540</u>
Change in Net Assets						
Governmental activities	232,610	446,607	775,069	670,290	548,454	359,591
Business-type activities	-	-	-	-	(4,102)	35,791
Total primary government	<u>\$ 232,610</u>	<u>\$ 446,607</u>	<u>\$ 775,069</u>	<u>\$ 670,290</u>	<u>\$ 544,352</u>	<u>\$ 395,382</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>	<u>2011</u>
General Fund					
Nonspendable-prepays	\$ 5,095	\$ 20,944	\$ 27,969	\$ 28,437	\$ 28,437
Reserved for transportation			315,885		
Assigned for capital projects					1,000,000
Unassigned	<u>223,146</u>	<u>654,793</u>	<u>1,105,332</u>	<u>1,643,118</u>	<u>1,016,698</u>
Total general fund	<u>\$ 228,241</u>	<u>\$ 675,737</u>	<u>\$ 1,449,186</u>	<u>\$ 1,671,555</u>	<u>\$ 2,045,135</u>
All other governmental funds					
Reserved for transportation	\$	\$	\$	\$ 449,365	\$ 620,295
Assigned for capital projects					
Total all other governmental funds	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 449,365</u>	<u>\$ 620,295</u>
	<u>2012</u>				
General Fund					
Nonspendable-prepays	\$ 22,899				
Reserved for transportation					
Assigned for capital projects					
Unassigned	<u>1,311,888</u>				
Total general fund	<u>\$ 1,334,787</u>				
All other governmental funds					
Reserved for transportation	\$ 642,359				
Assigned for capital projects	<u>1,000,000</u>				
Total all other governmental funds	<u>\$ 1,642,359</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)

	2007	2008	2009	2010	2011
REVENUES					
Property taxes	\$ -	\$ 508,845	\$ 446,294	\$ 321,912	\$ 263,170
Utility taxes	154,857	205,802	268,748	481,710	345,155
Franchise fees	65,729	218,236	232,172	208,158	207,153
Intergovernmental revenue	124,459	361,896	625,617	633,171	635,465
Charge for services	-	330,238	502,035	447,379	2,352
Licenses and permits	-	8,119	10,721	10,732	9,596
Fines and forfeitures	14	1,500	-	-	-
Contributions from private sources	-	-	-	-	-
Interest and other	1,387	18,859	9,028	6,775	20,064
Total revenues	346,446	1,653,495	2,094,615	2,109,837	1,482,955
EXPENDITURES					
Current:					
General government	113,762	807,439	560,348	449,861	480,664
Public safety	-	241,921	280,295	272,064	274,785
Physical environment	-	156,639	480,523	716,178	182,996
Capital outlay	4,443	-	-	-	-
Total expenditures	118,205	1,205,999	1,321,166	1,438,103	938,445
Net change in fund balances	\$ 228,241	\$ 447,496	\$ 773,449	\$ 671,734	\$ 544,510
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%

	2012
REVENUES	
Property taxes	\$ 214,645
Utility taxes	341,596
Franchise fees	193,270
Intergovernmental revenue	648,838
Charge for services	61,650
Licenses and permits	10,518
Fines and forfeitures	35,727
Contributions from private sources	49,813
Interest and other	1,191
Total revenues	1,557,248
EXPENDITURES	
Current:	
General government	578,987
Public safety	274,911
Physical environment	340,971
Capital outlay	50,663
Total expenditures	1,245,532
Net change in fund balances	\$ 311,716
Debt service as a percentage of noncapital expenditures	0.0%

(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)

Fiscal Year	Ad-Valorem Taxes General Purpose	Utility Tax	Intergovernmental	Franchise Tax	Charges for Service (2)
2007	\$ -	\$ 154,857	\$ 124,459	\$ 65,729	\$ -
2008	508,845	187,584	361,896	218,236	330,238
2009	446,294	268,748	625,617	232,172	502,035
2010	321,912	481,710	633,171	208,158	444,379
2011	263,170	345,155	635,465	207,153	2,352
2012	214,645	341,596	648,838	193,270	61,650

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

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

License and Permits	Fines and Forfeitures	Contributions from Private Sources	Interest	Total
\$ -	\$ 14	\$ -	\$ 1,387	\$ 346,446
8,119	1,500	-	18,859	1,635,277
10,721	12	-	9,016	2,094,615
10,732	-	-	6,775	2,106,837
9,596	-	-	20,064	1,482,955
10,518	35,727	49,813	1,191	1,557,248

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
2011	143,947,895	14,652,455	59,567,834		12,798,827	230,967,011
2012	140,860,901	13,939,039	61,640,848		12,048,183	228,488,971

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%
1.2000	327,489,734	70.53%
1.2000	313,377,456	72.91%

TOWN OF LOXAHATCHEE GROVES, FLORIDA

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years (1)

Fiscal Year	Town Total Direct 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
2011	1.200	8.010	8.450	1.150	0.610
2012	1.200	7.778	8.789	1.220	0.605

(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
0.620	0.748	0.035	20.823
0.620	0.730	0.035	20.977

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

<u>2012</u>				<u>2003(1)</u>			
<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>
R BROKE NOW LLC	\$ 2,233,874	1	0.98				
ZDARSKY CONSTANTINE	1,836,893	2	0.81				
YEES CORP	1,776,904	3	0.78				
EVERGLADES FARM EQUIP CO	1,619,907	4	0.71				
SOUTHERN MANAGEMENT CORP	1,438,694	5	0.63				
SUNSPORT GARDENS	1,142,175	6	0.50				
GROVES MEDICAL PLAZA LLC	1,015,384	8	0.45				
JACA BUSINESS CORP	933,180	7	0.41				
ROYALS OK LUNCH INC	922,569	9	0.41				
ACKERMAN LORI &	373,158	10	0.16				
	<u>\$ 13,292,738</u>		<u>5.84</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	441,450	94.73%	n/a	441,450	94.73%
2010	319,175	307,800	96.44%	n/a	307,800	96.44%
2011	263,434	261,597	99.30%	n/a	261,597	99.30%
2012	219,578	214,645	97.75%	n/a	214,645	97.75%

(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, 2012

<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	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%
2011	3,091	n/a	n/a	12.4%
2012	3,173	n/a	n/a	8.20%

(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

Last year and nine years ago

Employer	2012			2003(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	21,718	1	37.18%			
Palm Beach County	11,381	2	19.48%			
Tenet Healthcare Corp.	5,127	3	8.78%			
Hospital Corporation of America	4,150	4	7.10%			
Florida Power & Light	3,658	5	6.26%			
Wackenhut Corporation	3,000	6	5.14%			
Florida Atlantic University	2,776	7	4.75%			
Bethesda Memorial Hospital	2,300	8	3.94%			
Veterans Health Administration	2,205	9	3.77%			
Boca Raton Community Hospital	2,100	10	3.59%			
	<u>58,415</u>		<u>99.99%</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	2011
Legislative	(2)	(2)	(2)	(2)	(2)
Clerk	(2)	(2)	(2)	(2)	(2)
General government	(2)	(2)	(2)	(2)	(2)
Community Development	(2)	(2)	(2)	(2)	(2)
Public Works	(2)	(2)	(2)	(2)	(2)
Parks	(2)	(2)	(2)	(2)	(2)
Public Safety: Police	(3)	(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	2011	2012
Public Safety						
Police:						
Number of emergency calls for service	(2)	(2)	(2)	(2)	(2)	(2)
Number of non-emergency calls for service	(2)	(2)	(2)	(2)	(2)	(2)
Number of arrests	(2)	(2)	(2)	(2)	(2)	(2)
Number of uniformed officers	(2)	(2)	(2)	(2)	(2)	(2)
Building and Zoning:						
Number of building permits issued	(2)	(2)	(2)	(2)	(2)	(2)
Number of certificates of use issued	(2)	(2)	(2)	(2)	(2)	(2)
Number of occupational licenses issued	(2)	(2)	(2)	(2)	(2)	(2)
Culture and Recreation						
Number of parks	(3)	(3)	(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.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

KATHLEEN A. MINER, CPA
J. MICHAEL STEVENS, CPA
KARA D. PETERSON, CFE, CPA
MARK J. BYMASTER, CPA
PUI K. LAI, CPA
RYAN M. SHORE, CPA

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
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

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

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Loxahatchee Groves, Florida as of and for the year ended September 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 29, 2013. 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

Management of Town of Loxahatchee Groves, Florida, is responsible for establishing and maintaining effective 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 March 29, 2013.

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 & Mims, P.A.

West Palm Beach, Florida
March 29, 2013



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

KATHLEEN A. MINER, CPA
J. MICHAEL STEVENS, CPA
KARA D. PETERSON, CFE, CPA
MARK J. BYMASTER, CPA
PUI K. LAI, CPA
RYAN M. SHORE, CPA

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

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

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

We have audited the financial statements of the Town of Loxahatchee Groves, Florida as of and for the year ended September 30, 2012, and have issued our report thereon dated March 29, 2013.

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 March 29, 2013, 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 reports.

PRIOR YEAR COMMENTS

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

CURRENT YEAR COMMENTS

Recommendations to Improve Financial Management

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, 2012, we have the following recommendation:

2012-1 Gas Tax Proceeds

County and municipal governments may use the 1 to 6 Cents Local Option Fuel Tax proceeds for transportation expenditures as defined in Section 336.025(7), Florida Statutes. Management informed us that they were unable to determine if all such proceeds expended during the fiscal year met these requirements.

We recommend that the Town obtain guidance from their Attorney or the State on the allowable uses of the funds and then take appropriate action on past and future expenditures

Management's Response: Management concurs with the comment and the City Attorney recommends that the Town work with the Loxahatchee Groves Water Control District to transfer through a quit claim deed or similar methodology that portion of North Road upon which the Town expended the 1 to 6 Cents Local Option Fuel Tax which will allow the Town to place the questionable expenditure and respective road into the Town's assets for capitalization purposes. The Town will replenish the 1 to 6 Cents Local Option Fuel Tax into the special revenue fund for Transportation in an equivalent amount from unassigned General Fund fund balance during the current period if the asset transfer is not accomplished prior to the fiscal year end.

Investment of Public Funds

Rules of the Auditor General require our audit to include a review of the Town's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit for the fiscal year ended September 30, 2012, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

Violations of Provisions of Contracts or Grant Agreements, Fraud, Illegal Acts, or Abuse

Rules of the Auditor General require that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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, 2012, we did not have any such findings.

Matters Inconsequential to the Financial Statements

Rules of the Auditor General provide that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect 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, 2012, we did not have any such findings.

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.

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, 2012.

Financial Condition Assessment Procedures

As required by Rules of the Auditor General we applied financial condition assessment procedures as of the fiscal year ended September 30, 2012 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 Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, for the year ended September 30, 2012. 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, 2012.

2012-2 Excess of Expenditures Over Appropriations

The financial and administrative department in the General Fund had expenditures in excess of appropriations.

Management's Response: Management concurs with the comment, to avoid this in the future we will review last minute work and associated invoices to assure that all invoices and payments are recorded prior to any end-of-year budget amendments.

The Town of Loxahatchee Groves, Florida's responses the findings identified in our audit are listed above. We did not audit the Town of Loxahatchee Groves, Florida's responses and, accordingly, we express no opinion on them.

We appreciate the courtesy and cooperation shown us by your officials and employees. If you have any questions or wish to discuss these comments further, we would be pleased to meet with you at your convenience.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, the audit committee, and the Town Council, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
March 29, 2013