

**TOWN OF SOUTHWEST RANCHES, FLORIDA**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

**TOWN OF SOUTHWEST RANCHES, FLORIDA**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council  
Town of Southwest Ranches  
Southwest Ranches, Florida

We have audited the accompanying basic financial statements of the Town of Southwest Ranches, Florida (the Town) as of and for the fiscal year ended September 30, 2002 as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town as of September 30, 2002, and the results of its operations for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

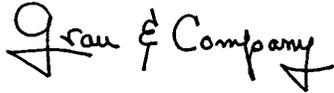
As described in Note 1, the Town adopted provisions of the Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, GASB No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus*, GASB No. 38, *Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*; as of October 1, 2001. This resulted in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2003 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Mayor and Town Council  
Town of Southwest Ranches  
Southwest Ranches, Florida

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information identified in the table of contents as combining and individual fund statements and schedules is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the basic financial statements taken as whole.



March 12, 2003

## Management's Discussion and Analysis

As management of the Town of Southwest Ranches, Florida, (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2002.

### Financial Highlights

- The assets of the Town of Southwest Ranches, exceeded its liabilities at the close of the most recent fiscal year by \$4,553,918 (*net assets*). Of this amount, \$879,925 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$3,482,518, this increase is attributable to excess revenues over expenses for 2002 and the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.
- As of the close of the current fiscal year, the Town of Southwest Ranches' governmental funds reported combined ending fund balances of \$2,492,598. Approximately 38% of this total amount, \$941,996 is unreserved and available for use within the Town's designation and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$941,996 or 9% of total general fund expenditures. This amount has been designated for contingencies.
- The Town incurred debt for approximately \$6,985,000 (\$4,985,000 from the Florida Municipal Loan Council and \$2,000,000 from a local bank), which was used to pay off approximately \$3,780,132 of debt previously outstanding and for capital outlay expenditures.

### Overview of the Financial Statements

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Southwest Ranches' 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.

## Overview of the Financial Statements (Continued)

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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the Town include general government, public safety, highway/street maintenance, building planning & zoning, parks and code enforcement. The Town has no business type activities.

The government-wide financial statements include not only the Town of Southwest Ranches itself (known as the *primary government*), but also a legally separate volunteer fire department (the Southwest Ranches Volunteer Fire-Rescue, Inc.) for which the Town is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. .

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

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

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

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

The Town of Southwest Ranches maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and fund balances for the general fund, which is considered to be the major fund. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town adopts an annual appropriated budget for its general fund and its two special revenue funds, the Police Education Fund and the Transportation Reserve Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. A budgetary comparison statement has also been provided for the special revenue funds as part of the combining statements.

**Governmental funds. (Continued)**

The basic governmental fund financial statements can be found on pages 14 and 17 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 18 to 36 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 37 to 39 of this report.

**Government-wide Financial Analysis**

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 of Southwest Ranches, assets exceeded liabilities by \$4,553,918 at the close of the most recent fiscal year.

A portion of the Town's net assets, \$3,433,636 or 75%, reflects its investment in capital assets (e.g., land, leasehold improvements, furniture and equipment, construction in progress), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Our analysis of the financial statements of the Town begins below. The Statement of Net Assets and the Statement of Activities report information about the Town's activities that will help answer questions about the position of the Town. As this is the first year that the Town is presenting government-wide statements, no comparison to the prior year is being shown. A comparative analysis will be provided when prior year information is available.

**Net Assets**

A summary of the primary governments' net assets is presented in Table A-1 and a summary of the changes in net assets is presented in Table A-2.

**Table A-1**

*Summary of net assets*

	Fiscal Year <u>2002</u>
Current assets	\$ 1,971,607
Restricted investments	626,473
Non-current assets	58,304
Capital assets, net	<u>9,188,592</u>
Total assets	<u>11,844,976</u>
Current liabilities	115,482
Non-current liabilities	<u>7,175,576</u>
Total liabilities	<u>7,291,058</u>
Investment in capital assets, net of related debt	3,433,636
Restricted	240,357
Unrestricted	<u>879,925</u>
Total net assets	<u>\$ 4,553,918</u>

## Net Assets (Continued)

**Table A-2**

*Summary of changes in net assets*

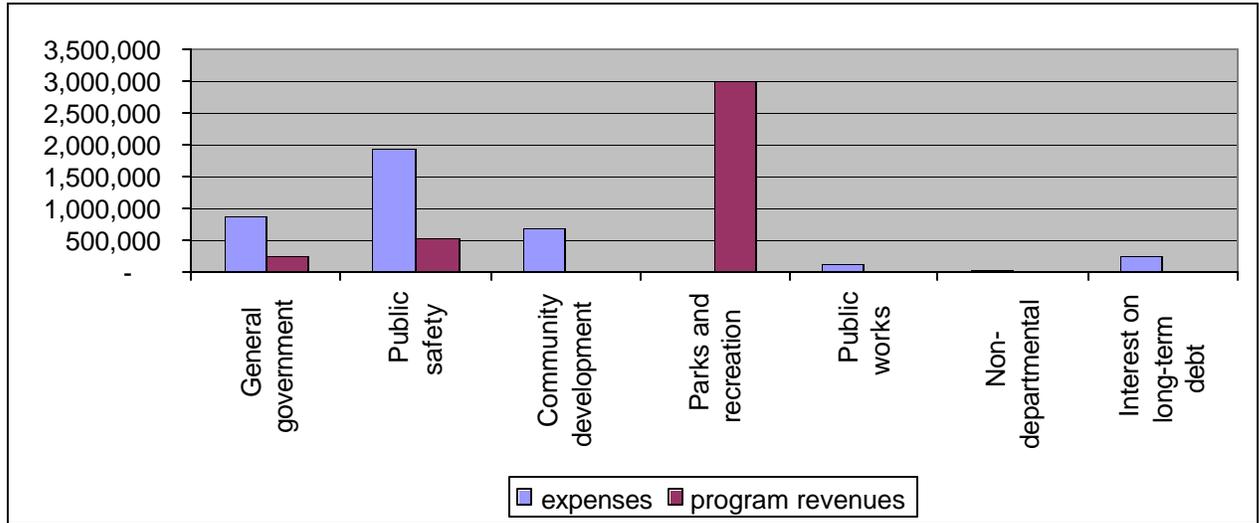
	Fiscal Year <u>2002</u>
Revenues:	
Program Revenues:	
Charges for services	\$ 795,479
Capital grants and contributions	2,977,772
General Revenues:	
Property taxes	1,801,116
Utility taxes	620,734
Franchise taxes	351,056
Intergovernmental	768,905
Investment income and miscellaneous	<u>104,542</u>
Total revenues	<u>7,419,604</u>
Expenses:	
General government	877,242
Public safety	1,947,075
Community development	687,405
Parks and recreation	2,959
Public works	135,620
Non-departmental	28,131
Interest on long-term debt	<u>258,654</u>
Total expenses	<u>3,937,086</u>
Change in net assets	<u>\$ 3,482,518</u>

The Town's net assets increased by \$3,482,518 during the current fiscal year. Almost 86% of this increase is attributable to approximately \$2,977,772 received in the form of capital grants and contributions from Broward County. Mostly as a result of an aggressive grant application strategy undertaken by the Town during the current fiscal year. The new grant awards furnished resources to support the Town's parks and recreation function. Also, during 2002 the Town implemented a new fire special assessment, which provided approximately \$481,378 of revenues to the Town.

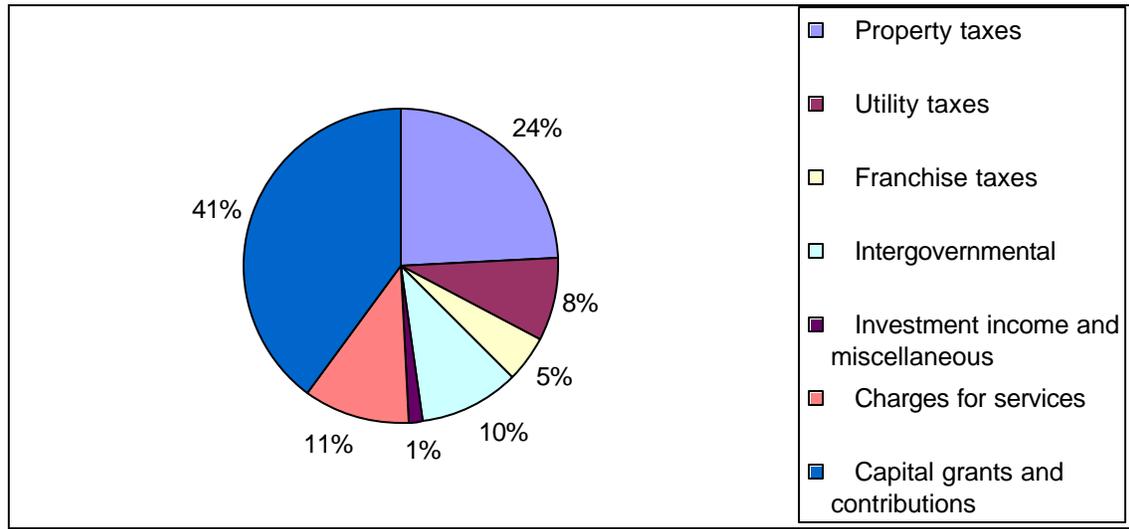
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**Net Assets (Continued)**

**Expenses and Program Revenues – Governmental Activities**



**Revenues by Source – Governmental Activities**



**Financial Analysis of the Government's Funds**

As noted earlier, the Town of Southwest Ranches 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 inflow, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**Financial Analysis of the Government's Funds** (Continued)

**Governmental funds** (Continued)

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2,492,598. Approximately 62 percent or \$1,550,602 of this total is reserved to indicate that it is not available for new spending because it has already been committed for 1) reserved for capital projects (\$1,310,245), 2) reserved for roadway improvements (\$234,035), and 3) reserved for public safety (\$6,322). Approximately 38 percent of the combined ending fund balance or \$941,996 constitutes unreserved fund balance, which while not legally obligated, has been designated for contingences.

The general fund is the Town's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$941,996, while total fund balance reached \$2,252,241. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9 percent of total general fund expenditures, while total fund balance represents 22 percent of that same amount.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance is presented in Table B-1 and B-2 for September 30, 2002 and 2001, is shown below:

**Table B-1**  
*Summary of condensed Balance Sheet*

	Fiscal Year <u>2002</u>	Fiscal Year <u>2001</u>
Total assets	<u>\$2,596,937</u>	<u>\$ 1,063,209</u>
Total liabilities	<u>344,696</u>	<u>339,309</u>
Designated fund balance	941,996	-
Reserved fund balance	1,310,245	-
Unreserved and undesignated fund balance	<u>-</u>	<u>723,900</u>
Total liabilities and fund balance	<u>\$2,596,937</u>	<u>\$1,063,209</u>

**Table B-2**  
*Summary of condensed statement of revenues, expenditures and changes in fund balance*

	Fiscal Year <u>2002</u>	Fiscal Year <u>2001</u>
Total Revenues	\$ 4,929,330	\$ 3,679,431
Total Expenditures	<u>10,469,205</u>	<u>6,755,531</u>
Deficiency of revenues over expenditures	<u>(5,539,875)</u>	<u>(3,076,100)</u>
Total Other Financing Sources (net)	<u>7,068,216</u>	<u>3,800,000</u>
Excess of revenues over expenditures and other financing sources	<u>\$ 1,528,341</u>	<u>\$ 723,900</u>

**Financial Analysis of the Government's Funds (Continued)**

**Governmental funds. (Continued)**

The fund balance of the Town's general fund increased by \$1,528,341 during the current fiscal year. Key elements of this increase are as follows:

- An increase in grant reimbursements from the County totaling \$683,772 for capital expenditures related to the Equestrian Park.
- New fire special assessment of approximately \$148 per single family residence, which provided approximately \$481,378 of new revenues
- Debt proceeds of approximately \$6,985,000 less debt pay-offs of approximately \$3,780,132

The Transportation Reserve Special Revenue Fund has a total fund balance of \$234,035, all of which is reserved for future roadway improvements. The net increase of \$54,496 was due to revenues from local option gas taxes received in excess of expenditures for roadway improvements. The Police Education Special Revenue Fund has a total fund balance of \$6,322, all of which is reserved for public safety. The net increase in fund balance was minimal (\$2,000).

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were substantial (\$5,981,548 increase in appropriations) and can be briefly summarized as follows:

- \$5,866,548 increase in capital outlay for construction of the Equestrian Park and purchase of land.

The increase was to be funded from grants received from the County and debt proceeds.

**Capital Assets**

As of September 30, 2002, the Town's investment in capital assets amounted to \$9,188,592 (net of accumulated depreciation). The total increase in capital assets for the current fiscal year was 125%.

Major capital asset events during the current fiscal year included the following:

- Donation of land valued at \$1,994,000 by Broward County for use as a future park.
- Approximately \$2,219,940 in land purchases
- Approximately \$1,015,023 in construction in progress for the Equestrian Park

**TOWN OF SOUTHWEST RANCHES' Capital Assets**

Primary Government:

<u>Governmental activities:</u>	Balance September 30, 2001	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2002
Capital assets, not being depreciated:				
Land	\$3,930,956	\$4,123,940	\$ -	\$8,054,896
Construction in progress	-	1,015,023	-	1,015,023
Total capital assets, not being depreciated	<u>3,930,956</u>	<u>5,138,963</u>	-	<u>9,069,919</u>

**Capital Assets** (Continued)

**TOWN OF SOUTHWEST RANCHES' Capital Assets (Continued)**

Capital assets, being depreciated:				
Furniture and equipment	12,815	40,186	-	53,001
Leasehold improvements	<u>-</u>	<u>83,130</u>	<u>-</u>	<u>83,130</u>
Total capital assets, being Depreciated	<u>12,815</u>	<u>123,316</u>	<u>-</u>	<u>136,131</u>
Less accumulated depreciation for:				
Furniture and equipment	-	(9,145)	-	(9,145)
Leasehold improvements	<u>-</u>	<u>(8,313)</u>	<u>-</u>	<u>(8,313)</u>
Total accumulated depreciation	<u>-</u>	<u>(17,458)</u>	<u>-</u>	<u>(17,458)</u>
Total capital assets, net	<u>\$3,943,771</u>	<u>\$ 5,244,821</u>	<u>\$ -</u>	<u>\$9,188,592</u>

Additional information on the Town's capital assets can be found in note 5 pages 29-30 of this report.

**Construction Commitments**

The Town has outstanding construction commitments as of September 30, 2002 as follows:

Equestrian Park	<u>\$ 1,622,000</u>
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**Long-term Debt**

At the end of the current fiscal year, the Town had total long-term debt outstanding of \$7,047,290 or \$6,985,000, net of unamortized premium and issuance costs of \$62,290. The debt is secured by pledged revenue sources of the Town.

**TOWN OF SOUTHWEST RANCHES' Outstanding Debt**

	Balance September 30, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2002</u>
Notes payable	<u>\$3,780,132</u>	<u>\$6,985,000</u>	<u>\$3,780,132</u>	<u>\$6,985,000</u>

The Town's total debt increased by \$3,204,868 (85%) during the current fiscal year. The key factor in this increase was a \$4,985,000 loan from the Florida Municipal Loan Council (FMLC) and a \$2,000,000 loan from a local bank. Part of the proceeds of the FMLC loan were used to pay off two note payables totaling \$3,780,132.

Additional information on the Town's long-term debt can be found in note 6 pages 30-32 of this report.

### **Economic Factors and Next Years Budgets and Rates**

- The unemployment rate for Broward County is currently 6 percent, which is an increase from a rate of 4.9 percent a year ago. This compares unfavorably to the state's average unemployment rate of 5.5 percent and the national average rate of 5.8 percent.
- The occupancy rate of the government's central business district has remained stable for the past two years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town of Southwest Ranches' budget for the 2003 fiscal year.

### **Economic Factors and Next Years Budgets and Rates (Continued)**

During the current fiscal year, unreserved fund balance in the general fund increased to \$941,996. The Town has appropriated this amount for spending in the 2003 fiscal year budget. It is intended that the use of available fund balance will avoid the need to raise taxes or charges during the 2003 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Southwest Ranches' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Administrator, 6589 S.W. 160 Avenue, Southwest Ranches, Florida 33331.

# TOWN OF SOUTHWEST RANCHES, FLORIDA

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2002

	<u>Primary Government</u>	<u>Component Unit (*) Southwest Ranches Volunteer Fire-Rescue, Inc.</u>
<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Fire-Rescue, Inc.</u>
Cash and cash equivalents	\$ 1,116,517	\$ 2,856
Receivables:		
Utility taxes	70,264	-
Franchise fees	35,617	-
Sales taxes	44,891	-
Grants	683,772	-
Other	20,546	-
Deposit	10,000	-
Restricted investments	626,473	-
Deferred charges	48,304	-
Capital assets (net of accumulated depreciation):		
Land	8,054,896	-
Leasehold improvements	74,817	-
Furniture and equipment	43,856	59,783
Construction in progress	1,015,023	-
Total assets	11,844,976	62,639
<u>LIABILITIES</u>		
Accounts payable	115,482	-
Noncurrent liabilities:		
Restricted accrued interest payable	110,375	-
Due within one year	90,000	7,094
Due in more than one year	6,975,201	31,161
Total liabilities	7,291,058	38,255
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	3,433,636	-
Restricted for road improvements	234,035	-
Restricted for public safety	6,322	24,384
Unrestricted	879,925	-
Total net assets	\$ 4,553,918	\$ 24,384

(\*) As of December 31, 2002

	11,844,976	62,639
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The accompanying notes are an integral part of the financial statements.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Component Unit (*) Southwest Ranches Volunteer Fire-Rescue, Inc.</u>
Governmental activities:						
General government	\$ 877,242	\$ 270,239	\$ -	\$ -	\$ (607,003)	\$ -
Public safety	1,947,075	525,240	-	-	(1,421,835)	-
Community development	687,405	-	-	-	(687,405)	-
Parks and recreation	2,959	-	-	2,977,772	2,974,813	-
Public works	135,620	-	-	-	(135,620)	-
Non-departmental	28,131	-	-	-	(28,131)	-
Interest on long-term debt	258,654	-	-	-	(258,654)	-
Total primary government	<u>\$ 3,937,086</u>	<u>\$ 795,479</u>	<u>\$ -</u>	<u>\$ 2,977,772</u>	<u>(163,835)</u>	<u>-</u>
Component unit:						
Southwest Ranches Volunteer Fire-Rescue, Inc.	<u>\$ 58,316</u>	<u>\$ -</u>	<u>\$ 55,877</u>	<u>\$ -</u>	<u>-</u>	<u>(2,439)</u>
General revenues:						
Property taxes					1,801,116	-
Utility taxes					620,734	-
Franchise taxes					351,056	-
Intergovernmental					768,905	-
Investment income and miscellaneous					<u>104,542</u>	<u>3,520</u>
Total general revenues					<u>3,646,353</u>	<u>3,520</u>
Change in net assets					<u>3,482,518</u>	<u>1,081</u>
Net assets, beginning					1,071,400	3,652
Prior period adjustment					-	<u>19,651</u>
Net assets, beginning (restated)					<u>1,071,400</u>	<u>23,303</u>
Net assets, ending					<u>\$ 4,553,918</u>	<u>\$ 24,384</u>

(\*) For the year ended December 31, 2002

The accompanying notes are an integral part of the financial statements.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**

BALANCE SHEET -  
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2002

<u>ASSETS</u>	General Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,116,517	\$ -	\$ 1,116,517
Receivables:			
Utility taxes	70,264	-	70,264
Franchise fees	35,617	-	35,617
Sales taxes	33,748	11,143	44,891
Grants	683,772	-	683,772
Other	20,546	-	20,546
Due from other funds	-	229,214	229,214
Restricted investments	626,473	-	626,473
Deposit	10,000	-	10,000
Total assets	<u>\$ 2,596,937</u>	<u>\$ 240,357</u>	<u>\$ 2,837,294</u>

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ 115,482	\$ -	\$ 115,482
Due to other funds	229,214	-	229,214
Total liabilities	<u>344,696</u>	<u>-</u>	<u>344,696</u>
Fund balance:			
Designated for contingencies	941,996	-	941,996
Reserved for capital projects	1,310,245	-	1,310,245
Reserved for roadway improvements	-	234,035	234,035
Reserved for public safety	-	6,322	6,322
Unreserved and undesignated	-	-	-
Total fund balances	<u>2,252,241</u>	<u>240,357</u>	<u>2,492,598</u>
Total liabilities and fund balances	<u>\$ 2,596,937</u>	<u>\$ 240,357</u>	

Amounts reported for governmental activities in the statement of net assets are different as a result of:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	9,188,592
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.	<u>(7,127,272)</u>
Net assets of governmental activities	<u>\$ 4,553,918</u>

The accompanying notes are an integral part of the financial statements.

## TOWN OF SOUTHWEST RANCHES, FLORIDA

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 1,801,116	\$ -	\$ 1,801,116
Special assessments	481,378	-	481,378
Utility taxes	620,734	-	620,734
Franchise fees	351,056	-	351,056
Licenses and permits	270,239	-	270,239
Intergovernmental	578,789	190,116	768,905
Fines and forfeitures	41,862	2,000	43,862
Grants	683,772	-	683,772
Interest	53,034	-	53,034
Other	47,350	-	47,350
Total revenues	<u>4,929,330</u>	<u>192,116</u>	<u>5,121,446</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General government:</b>			
Town Council	50,792	-	50,792
Town administration	546,040	-	546,040
Town attorney	216,314	-	216,314
Total general government	<u>813,146</u>	<u>-</u>	<u>813,146</u>
<b>Public Safety:</b>			
Police	1,022,325	-	1,022,325
Fire	924,750	-	924,750
Total public safety	<u>1,947,075</u>	<u>-</u>	<u>1,947,075</u>
Community development	687,405	-	687,405
Parks and recreation	-	-	-
Public works	-	135,620	135,620
Non-departmental	28,131	-	28,131
<b>Debt service:</b>			
Principal	3,780,132	-	3,780,132
Interest	148,279	-	148,279
Debt issuance costs	50,120	-	50,120
Total debt service	<u>3,978,531</u>	<u>-</u>	<u>3,978,531</u>
Capital outlay	3,014,917	-	3,014,917
Total expenditures	<u>10,469,205</u>	<u>135,620</u>	<u>10,604,825</u>
(Deficiency) excess of revenues over expenditures	<u>(5,539,875)</u>	<u>56,496</u>	<u>(5,483,379)</u>
<b>Other financing sources (uses):</b>			
Debt proceeds	6,985,000	-	6,985,000
Reoffering premium	114,752	-	114,752
Underwriters discount	(31,536)	-	(31,536)
Total other financing sources	<u>7,068,216</u>	<u>-</u>	<u>7,068,216</u>
Excess of revenues over expenditures and other financing sources	1,528,341	56,496	1,584,837
Fund balances, beginning of year	<u>723,900</u>	<u>183,861</u>	<u>907,761</u>
Fund balances, end of year	<u>\$ 2,252,241</u>	<u>\$ 240,357</u>	<u>\$ 2,492,598</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

Amounts reported for governmental activities in the statement of activities consists of:

Net change in fund balances- total governmental funds	\$ 1,584,837
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount which capital outlays exceeded depreciation in the current period.	2,950,821
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,237,964)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(113,334)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Amortization of Reoffering Premium	4,158
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>2,294,000</u>
Change in net assets of governmental activities	<u>\$ 3,482,518</u>

The accompanying notes are an integral part of the financial statements.

## TOWN OF SOUTHWEST RANCHES, FLORIDA

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget- Positive <u>(Negative)</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,828,082	\$ 1,828,082	\$ 1,801,116	\$ (26,966)
Special assessments	477,043	477,043	481,378	4,335
Utility taxes	645,650	645,650	620,734	(24,916)
Franchise fees	330,300	330,300	351,056	20,756
Licenses and permits	426,100	426,100	270,239	(155,861)
Intergovernmental	619,000	619,000	578,789	(40,211)
Fines and forfeitures	10,000	10,000	41,862	31,862
Grants	-	3,776,548	683,772	(3,092,776)
Interest	50,000	50,000	53,034	3,034
Other	-	-	<u>47,350</u>	<u>47,350</u>
Total revenues	<u>4,386,175</u>	<u>8,162,723</u>	<u>4,929,330</u>	<u>(3,233,393)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
Town Council	39,200	59,200	50,792	8,408
Town administration	491,000	561,100	546,040	15,060
Town attorney	<u>200,000</u>	<u>200,000</u>	<u>216,314</u>	<u>(16,314)</u>
Total general government	<u>730,200</u>	<u>820,300</u>	<u>813,146</u>	<u>7,154</u>
<b>Public Safety:</b>				
Police	1,022,250	1,022,250	1,022,325	(75)
Fire	<u>931,250</u>	<u>931,250</u>	<u>924,750</u>	<u>6,500</u>
Total public safety	<u>1,953,500</u>	<u>1,953,500</u>	<u>1,947,075</u>	<u>6,425</u>
Community development	531,000	711,500	687,405	24,095
Parks and recreation	100,000	7,900	-	7,900
Public works	75,000	31,500	-	31,500
Non-departmental	1,157,215	1,137,215	28,131	1,109,084
<b>Debt service:</b>				
Principal	320,000	320,000	3,780,132	(3,460,132)
Interest	-	-	148,279	(148,279)
Debt issuance costs	-	-	50,120	50,120
Total debt service	<u>320,000</u>	<u>320,000</u>	<u>3,978,531</u>	<u>(3,558,291)</u>
Capital outlay	<u>5,000,000</u>	<u>10,866,548</u>	<u>3,014,917</u>	<u>7,851,631</u>
Total expenditures	<u>9,866,915</u>	<u>15,848,463</u>	<u>10,469,205</u>	<u>5,479,498</u>
(Deficiency) excess of revenues over expenditures	<u>(5,480,740)</u>	<u>(7,685,740)</u>	<u>(5,539,875)</u>	<u>2,145,865</u>
<b>Other financing sources (uses):</b>				
Appropriations from prior year's fund balance	480,740	685,740	-	(685,740)
Debt proceeds	5,000,000	7,000,000	6,985,000	(15,000)
Reoffering premium	-	-	114,752	114,752
Underwriters discount	-	-	<u>(31,536)</u>	<u>(31,536)</u>
Total other financing sources (uses)	<u>5,480,740</u>	<u>7,685,740</u>	<u>7,068,216</u>	<u>(617,524)</u>
Excess of revenues over expenditures and other financing sources (uses)	-	-	1,528,341	1,528,341
Fund balances, beginning of year	-	-	<u>723,900</u>	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,252,241</u>	<u>\$ 1,528,341</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of the Town of Southwest Ranches', Florida (the Town), significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The policies are considered essential and should be read in conjunction with the basic financial statements.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

**a. Financial Reporting Entity**

The Town is an instrumentality of the State of Florida, incorporated in accordance with House Bill No. 1777 on June 6, 2000 to carry on a centralized government. The Town Council, which is composed of four Council elected members and the elected Mayor, is responsible for legislative and fiscal control of the Town. The Town is governed under a Council/Administrator form of government. A Town Administrator is appointed by the Council and is responsible for administrative and fiscal control of the resources of the Town maintained in the funds and account groups.

The basic criteria for determining whether another organization should be included in the Town's reporting entity for general-purpose financial statements are financial accountability. Financial accountability includes (1) the appointment of a voting majority of the organization's governing body, (2) the ability of the Town to impose its will on the organization, or (3) if there is a financial benefit/burden relationship. In addition, an organization, which is fiscally dependent on the Town, should be included in its reporting entity. A blended component unit, although a legally separate entity, is, in substance, part of the Town's operations and so data from this unit is combined with data of the Town. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. Based upon the application of these criteria, there was one organization that met the criteria described above for a discretely presented component unit.

**Discretely presented component unit** - the Southwest Ranches Volunteer Fire-Rescue, Inc. (Volunteer Fire Department), was incorporated under the laws of the State of Florida on January 2, 2002, to serve all the citizens of the Town and when requested offer assistance to Broward County. The Town is financially accountable for the Volunteer Fire Department as a result of fiscal dependency of the Volunteer Fire Department on the Town. The Town has agreed to provide the Volunteer Fire Department \$30,000 per year for its operations, which is the Volunteer Fire Department's major source of funding. The Volunteer Fire Department is presented as a governmental fund type. The Department has a December 31 year end and its financial statements have been presented as of December 31, 2002 in the government-wide financial statements. Separate financial statements for the Southwest Ranches Volunteer Fire-Rescue, Inc. are not presently developed.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### a. Financial Reporting Entity (Continued)

Governmental accounting standards require reasonable separation between the Primary Government and its discretely presented component units, both in the financial statements and in the related notes and required supplementary information. Because the discretely presented component units, although legally separate, have been and are operated as if each is part of the primary government, there are limited instances where special note reference or separation will be required. If no separate note reference or categorization is made, the user should assume that information presented is equally applicable.

### b. Measurement focus and basis of accounting

The basic financial statements of the Town are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

**Government-wide Financial Statements** – Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government, as well as its discretely presented component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Town does not have any *business-type activities*. Likewise, the *primary government* is reported separately its legally separate *component unit* for which the primary government is financially accountable.

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) capital grants and contributions, including special assessments that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### b. Measurement focus and basis of accounting (Continued)

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements** - The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds.

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

#### **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 thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

b. **Measurement focus and basis of accounting (Continued)**

**Governmental Funds (Continued)**

Amounts expended to acquire capital assets are recorded in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

c. **Basis of presentation**

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures) for the determination of major funds. The Town has used the GASB 34 minimum criteria for major fund determination. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Non-current Governmental Assets/Liabilities:**

GASB Statement 34 requires non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as long-term debt, to be reported in the governmental activities column in the government-wide statement of net assets.

d. **New Accounting Standards Adopted**

In fiscal year 2002, the Town adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments and is scheduled for a phased implementation (based on the size of the government) beginning with fiscal year ending 2002. The Town is a phase III government and was not required to implement GASB 34 until its fiscal year ended 2004 however it has elected for early implementation. As part of this statement there is a new reporting requirement regarding the Town's infrastructure (roads, bridges, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation of the infrastructure related portion to the fiscal year ending 2006 or for phase III government's only, the option to record infrastructure prospectively from the year of implementation. The Town has elected to record all of its infrastructures by September 30, 2006 .
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34*.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d. New Accounting Standards Adopted (Continued)**

- Statement No. 38, *Certain Financial Statement Note Disclosures*
- Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

**e. Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short term investments with original maturities of three months or less from the date of acquisition.

**f. Ad Valorem Taxes**

Property taxes are billed and collected within the same fiscal period and are recognized on a modified accrual basis for governmental funds and on the accrued basis for accounting for government wide financial statements. Ad valorem taxes have a lien assessment date of January 1. The fiscal year for which taxes are levied begins October 1, and taxes are payable November 1. They are due March 31 and become delinquent April 1. On June 1, delinquent taxes are offered for sale in the form of tax certificates. These taxes are collected by Broward County and are remitted to the Town. The State of Florida permits the Town to levy up to 10 mills of assessed property value for the General Fund. The Town's millage rate was 3.000 for the fiscal year ended September 30, 2002. As of September 30, 2002, there were no delinquent personal property taxes.

**g. Investments**

Investments, which are comprised of U.S. obligations with maturities ranging from one to three years, are recorded at fair value.

**h. Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/from other funds.

**i. Capital Assets**

Capital assets which include land, construction in progress, leasehold improvements and furniture and fixtures are reported in the statement of net assets in the government wide statements. The Town's capitalization threshold for capital assets are assets with an individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all depreciable assets is provided on the straight-line basis over the following estimated useful lives:

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i. Capital Assets (Continued)**

	<u>Years</u>
Land	-
Construction in progress	-
Leasehold improvements	5
Furniture and equipment	5

When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts and a resulting gain or loss is recorded in the government-wide financial statements.

**j. Long-Term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Long-term debt is reported net of the applicable premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**k. Grant Revenue**

The Town, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any) when all applicable eligibility requirements, including time requirements, are met. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes – to purchase, construct or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the Town.

**l. Fund Equity/Net Assets**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The description of each reserve or designation indicates the purpose for which each was intended.

Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

As a result of implementing GASB statement #34, the other subsequent pronouncements stated before, the Town's ending fund balance at September 30, 2001 was restated to arrive at beginning net assets at October 1, 2001.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Fund Equity/Net Assets (Continued)**

Fund Balance at September 30, 2001	\$ 907,761
Net Capital Assets	3,943,771
Long-term debt	<u>(3,780,132)</u>
Beginning Net Assets at October 1, 2001	<u>\$ 1,071,400</u>

The government-wide financial statements utilize a net asset presentation. Net asset are categorized as investment in fixed assets (net of related debt) and restricted and unrestricted.

*Investment in Capital Assets (net of related debt)* - is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is debt less the outstanding liquid assets and any associated unamortized cost.

*Restricted Net Assets* – represent liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant or granting agency) limitations on their use. The Town would typically use restricted net assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

*Unrestricted Net Assets* - represent unrestricted liquid assets. While Town management may have categorized and segmented portions for various purposes, the Town Council has the unrestricted authority to revisit or alter these managerial decisions.

**m. Payments Between the Town and Component Unit**

Resource flows (except those that affect the statement of net assets/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions – that is as revenues and expenses.

**n. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these 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.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**a. Budgets and Budgetary Accounting**

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

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**a. Budgets and Budgetary Accounting (Continued)**

- a. Prior to September 1, the Town Administrator submits to the Town Council a proposed operating budget for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- d. Upon request of the Town Administrator, the Town Council may transfer, at any time, any part of an unencumbered balance of an appropriation within a department. Upon request of the Town Administrator the Town Council, in the form of a resolution, may transfer any part of the unencumbered balance of an appropriation between departments. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations.
- e. Annual appropriated budgets are adopted for the General, the Police Education Fund, and the Transportation Reserve Special Revenue Fund on a basis consistent with accounting principles generally accepted in the United States of America.
- f. The reported budgetary data represents the final approved budget after amendments adopted by the Town Council. Individual type amendments were not material in relation to the original appropriations. Unencumbered appropriations lapse at fiscal year end.
- g. The Town Council may by ordinance make supplemental appropriations during the fiscal year. Supplemental appropriations totaled approximately \$5,981,481 during fiscal year ended September 30, 2002.

**b. Expenditures incurred over Appropriations**

Expenditures exceeded the budget in the General fund for the year ended September 30, 2002 at the following department levels, which is the legally controlled level of appropriations:

	<u>Final Budget</u>	<u>Actual</u>	Amount in Excess of <u>Final Budget</u>
General Government:			
Town attorney	\$ 200,000	\$ 216,314	\$ 16,314
Public Safety:			
Fire	1,022,250	1,022,325	75
Debt service	320,000	3,978,531	3,658,531

These over expenditures were funded by available fund balance and debt proceeds.

### 3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

#### a. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

“Total fund balances” of the Town’s governmental funds (\$2,492,598) differs from “net assets” of governmental activities (\$4,553,918) reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

##### Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 9,206,050
Accumulated depreciation	<u>(17,458)</u>
Total capital assets added	<u>\$ 9,188,592</u>

##### Long-term debt transactions

Long-term liabilities applicable to the Town’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances as of September 30, 2002 were:

Notes payable	\$ 6,985,000
Add: Reoffering premium (to be amortized as interest income)	110,594
Accrued Interest payable	110,375
Less: Underwriters discount (to be amortized as interest expense)	(30,393)
Deferred charge for issuance costs (to be amortized over life of debt)	(48,304)
Total	<u>\$ 7,127,272</u>

#### b. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.

The “net change in fund balances” for governmental funds \$1,584,837 differs from the “change in net assets” for governmental activities \$3,482,518 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is described below.

##### Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense

**3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**b. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)**

Capital related items (Continued)

charged for the year. Also, there are capital outlay expenditures in the governmental funds, which do not meet the capitalization threshold established by the Town for capitalization of assets and those amounts have been expensed in the statement of activities.

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

Capital outlay	\$ 3,014,917
Capital outlay expensed in the statement of activities as these amounts did not meet the capitalization threshold	(46,638)
Depreciation	<u>(17,458)</u>
Net adjustment	<u>\$ 2,950,821</u>

Long-term debt transactions

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt issued or incurred:	
Notes payable	\$ 6,985,000
Add premiums	114,752
Less discounts	(31,536)
Principal repayments:	
Notes payable	(3,780,132)
Debt issuance costs	<u>(50,120)</u>
Net adjustment	<u>\$ 3,237,964</u>

Other Reconciling Items

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of these differences are as follows:

Accrued interest	\$ 110,375
Amortization of debt issuance costs	1,816
Amortization of underwriters discount	<u>1,143</u>
Net adjustment	<u>\$ 113,334</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net assets. The details of these differences are as follows:

**3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**b. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)**

Other Reconciling Items (Continued)

Donation of land	\$ 1,994,000
Donation of land-fill	<u>300,000</u>
	<u>\$ 2,294,000</u>

**4. DEPOSITS AND INVESTMENTS**

***Deposits***

The Town's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state and local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting loss.

***Investments***

Town administration is authorized to invest in those instruments authorized by the Florida Statutes

Investments are classified as to credit risk, which are summarized below:

- Category 1 Insured or registered, or securities held by the Town or its agent in the Town's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name.

The Town does not participate in any securities lending transactions nor has it used, held or written derivative financial instruments.

At year-end, the Town's investment balances were as follows:

	<u>1</u>	Category <u>2</u>	<u>3</u>	<u>Fair Value</u>
U.S Government and Agency Securities	\$ -	\$ 626,473	\$ -	\$ 626,473

## 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2002 was as follows:

### Primary Government:

<u>Governmental activities:</u>	Balance September 30, 2001	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2002
Capital assets, not being depreciated:				
Land	\$3,930,956	\$4,123,940	\$ -	\$8,054,896
Construction in progress	-	<u>1,015,023</u>	-	<u>1,015,023</u>
Total capital assets, not being depreciated	<u>3,930,956</u>	<u>5,138,963</u>	-	<u>9,069,919</u>
Capital assets, being depreciated:				
Furniture and equipment	12,815	40,186	-	53,001
Leasehold improvements	-	<u>83,130</u>	-	<u>83,130</u>
Total capital assets, being Depreciated	<u>12,815</u>	<u>123,316</u>	-	<u>136,131</u>
Less accumulated depreciation for:				
Furniture and equipment	-	(9,145)	-	(9,145)
Leasehold improvements	-	<u>(8,313)</u>	-	<u>(8,313)</u>
Total accumulated depreciation	-	<u>(17,458)</u>	-	<u>(17,458)</u>
Total capital assets, being depreciated, Net	<u>3,943,771</u>	<u>5,244,821</u>	-	<u>9,188,592</u>

### Component Unit:

<u>Governmental activities:</u>	Balance September 30, 2001	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2002
Capital assets, being depreciated:				
Furniture and equipment	\$ 17,000	\$ 68,259	\$ 17,000	\$ 68,259
Total capital assets, being Depreciated	<u>17,000</u>	<u>68,259</u>	<u>17,000</u>	<u>68,259</u>
Less accumulated depreciation for:				
Furniture and equipment	-	<u>(8,476)</u>	-	<u>(8,476)</u>
Total accumulated depreciation	-	<u>(8,476)</u>	-	<u>(8,476)</u>
Total capital assets, being depreciated, Net	<u>17,000</u>	<u>59,783</u>	<u>17,000</u>	<u>59,783</u>
Governmental activities Capital assets, net	<u>\$3,960,771</u>	<u>\$5,304,604</u>	<u>\$ 17,000</u>	<u>\$9,248,375</u>

5. **CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs of the primary government and component unit as follows:

<u>Primary Government</u>	
General government	<u>\$ 17,458</u>
<u>Component Unit</u>	<u>\$ 8,476</u>

During 2002, the Town received donations and contributions from Broward County of land valued at \$1,994,000 and land-fill valued at \$300,000. The land contributed by the County shall revert to the County if it is not used and properly maintained for public park purposes.

Also, during 2002, the Town entered into a Road Transfer Agreement with Broward County for the transfer of roads lying within the area known as "Sunshine Ranches" and other roads stipulated in the agreement. The Roads Transfer Agreement did not include the values of the roads transferred to the Town and therefore were not able to be capitalized, as infrastructures for the current year. As mentioned earlier, the Town has implemented GASB 34 during 2002 and elected the four year deferral period for the recording of infrastructure assets. The Town will value the transferred roads together with all of its infrastructures for the 2003 fiscal year.

6. **LONG-TERM DEBT**

Changes in long-term debt during the year were as follows:

	Balance September <u>30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance September <u>30, 2002</u>	Due Within <u>One Year</u>
<b><u>Primary Government</u></b>					
Notes payable	\$3,780,132	\$6,985,000	\$3,780,132	\$ 6,985,000	\$ 90,000
Add reoffering premium	-	114,752	4,158	110,594	-
Less underwriters discount	-	(31,536)	(1,143)	(30,393)	-
	<u>\$3,780,132</u>	<u>\$7,068,216</u>	<u>\$3,783,147</u>	<u>\$7,065,201</u>	<u>\$ 90,000</u>
<b><u>Component Unit</u></b>					
Note payable	<u>\$ -</u>	<u>\$ 43,000</u>	<u>\$ 11,128</u>	<u>\$ 31,872</u>	<u>\$ 7,094</u>

***Florida Municipal Loan Council***

On November 15, 2001, the Town entered into a loan agreement with the Florida Municipal Loan Council funded from proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2002 (the Bonds) for a total of \$5,099,752 (\$4,985,000 par amount of the Bonds plus a \$114,752 re-offering premium). The loan requires semi-annual payments of interest at varying rates on May and November of each fiscal year commencing on May 1, 2002 and principal payment of varying amounts

6. **LONG-TERM DEBT (CONTINUED)**

**Florida Municipal Loan Council** (Continued)

on November of each fiscal year commencing on November 1, 2002 through May 1, 2025. Proceeds of the loan are to be used for the payoff of outstanding obligations, acquisition of certain parks and recreational land and construction of improvements and recreational facilities. As security for loan repayment, the Town covenants and agrees to appropriate in its annual budget amounts of Non-Ad valorem revenues sufficient to satisfy its annual debt service requirements under the loan agreement. As of September 30, 2002, the Town was in compliance with this covenant.

The annual requirements to pay principal and interest on this obligation as of September 30, 2002 are as follows:

<u>September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 90,000	\$ 243,000	\$ 333,000
2004	80,000	241,000	321,000
2005	85,000	238,000	323,000
2006	85,000	234,000	319,000
2007	90,000	230,000	320,000
2008-2012	525,000	1,080,000	1,605,000
2013-2017	670,000	929,000	1,599,000
2018-2022	860,000	733,000	1,593,000
2023-2027	1,100,000	493,000	1,593,000
2028-2032	<u>1,400,000</u>	<u>182,000</u>	<u>1,582,000</u>
	<u>\$ 4,985,000</u>	<u>\$ 4,603,000</u>	<u>\$ 9,588,000</u>

As of September 30, 2002, there is approximately \$626,473 remaining of the \$4,985,000 to be drawn upon by the Town. The funds are held by the FMLC as trustee and included as restricted investments, since the funds are invested in a one to three year bond portfolio. The \$626,473 has also been included as part of net assets invested in capital assets, net of related debt, since the funds are restricted for capital projects.

**Note Payable - \$2,000,000**

On September 20, 2002, the Town entered into a loan agreement for the issuance of a \$2,000,000 note to a local bank (the "Note") for the acquisition of land. The Note requires payments of interest only commencing on October 20, 2002 through September 20, 2004. The principal of the Note is due on September 20, 2004 with an initial interest rate of 5% and will automatically adjust to the interest rate listed in the previous edition of the Wall Street Journal as the Prime Rate, plus 0.25%. The Note is secured by and payable from a lien upon and pledge of the franchise fees received from Florida Power & Light Company and Comcast Cablevision of Broward County, Inc., the proceeds of the Public Service Tax. The Note is further secured by the Town's covenant to budget and appropriate in each fiscal year amounts sufficient to pay the principal and interest coming due in such fiscal year, until the Note has been paid in full. As of September 30, 2002, the Town was not in compliance with this covenant (See Schedule of Findings and Recommendations 2002-2). The note has an outstanding balance of \$2,000,000 as of September 30, 2002.

**6. LONG-TERM DEBT (CONTINUED)**

**Note Payable - \$2,000,000 (Continued)**

The annual requirements to pay principal and interest on this obligation as of September 30, 2002 are as follows:

<u>September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ -	\$ 100,000	\$ 100,000
2004	<u>2,000,000</u>	<u>100,000</u>	<u>2,100,000</u>
	<u>\$ 2,000,000</u>	<u>\$ 200,000</u>	<u>\$ 2,200,000</u>

**Note Payable - \$43,000**

On June 21, 2002, the Southwest Ranches Volunteer Fire-Rescue, Inc. entered into a note payable agreement in the amount of \$43,000 for the purchase of a truck. The note is secured by the truck and requires monthly payments of approximately \$848 including principal and interest at a rate of 8.75% per annum through June 21, 2007.

The annual requirements to pay principal and interest on this obligation as of December 31, 2002 are as follows:

<u>December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 7,094	\$ 3,087	\$ 10,181
2004	7,741	2,441	10,182
2005	8,446	1,735	10,181
2006	9,215	966	10,181
2007	<u>5,759</u>	<u>181</u>	<u>5,940</u>
	<u>\$ 38,255</u>	<u>\$ 8,410</u>	<u>\$ 46,665</u>

**7. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, theft of, damage and destruction of assets, errors and omissions and natural disasters for which the Town carries commercial insurance. There were no reductions in insurance coverage from coverages in the prior year. Settled claims did not exceed coverages for the past year.

**8. COMMITMENTS AND CONTINGENCIES**

***Agreement with Broward County for Local Police Patrol Services***

Effective October 1, 2000, the Town entered into an agreement with the Broward County Sheriff's Office (BSO) for local police patrol services. The agreement expired on September 30, 2001 and was renewed for an additional one-year period. The Town paid \$1,022,325 for police services under this contract for the fiscal year ended September 30, 2002. Subsequent to year-end, the Town renewed the contract for an additional one-year term for a total fee of \$1,075,000.

**8. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***Interlocal Agreement with the Town of Davie for Delivery of Emergency Medical and Fire Protection Services***

Effective October 1, 2000, the Town entered into an interlocal agreement with the Town of Davie (Davie) for the delivery of emergency medical and fire protection services to the eastern portion of the Town. The initial term of the agreement was from October 1, 2000 to September 30, 2001, with four additional one-year periods, which renew automatically unless terminated by either party, for a total of five years. Fees will increase by a maximum of two percent (2%) per year not to exceed seven and one-half percent (7.5%) over the five-year term of the contract. The Town paid \$369,750 under this contract for the fiscal year ended September 30, 2002. Subsequent to year-end the agreement was renewed for an additional one-year term at a cost of \$395,060.

***Interlocal Agreement with Broward County for Delivery of Emergency Medical and Fire Protection Services***

Effective October 1, 2000, the Town entered into an interlocal agreement with the Broward County (the County) for the delivery of emergency medical and fire protection services to the western portion of the Town. The initial term of the agreement was from October 1, 2000 to September 30, 2001, with four additional one-year periods, which renew automatically unless terminated by either party, for a total of five years. Fees increase by an amount not to exceed \$25,000 per year. The Town paid \$525,000 under this contract for the fiscal year ended September 30, 2002. Subsequent to year end the agreement was renewed for an additional one-year term at a cost of \$551,250.

***Agreement with Southwest Ranches Volunteer Fire-Rescue, Inc. for Fire Rescue Services***

Effective July 1, 2001, the Town entered into an agreement with Southwest Ranches Volunteer Fire-Rescue, Inc. (Volunteer Fire Department) for fire rescue services. The initial term of the agreement is from July 1, 2001 through September 30, 2005 and will automatically continue renewing for one-year periods unless terminated by either party. The Town has agreed to provide an annual funding not to exceed \$30,000 to support the Volunteer Fire Department.

***Interlocal Agreements with Broward County for the Development of the Equestrian Park***

On December 4, 2001, the Town entered into an interlocal agreement with Broward County for the development of an Equestrian Park. The Equestrian Park is to be developed on land donated by the County of approximately \$1,994,000 during fiscal year 2002. The County has obtained approximately \$1,169,581 in grants from the State of Florida for the development of the Equestrian Park and has agreed to provide the funds from the grants to the Town for the costs incurred in the development of the Equestrian Park.

The Town submitted requests for reimbursements of approximately \$534,886 as of September 30, 2002 under this interlocal agreement. The grant receivable has been recorded as restricted funds and included with net assets invested in capital assets, net of related debt, since the expenditures were initially paid with FMLC loan proceeds and are required to be used for the development of the Equestrian Park.

**8. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***Agreement Between Broward County and the Town of Southwest Ranches for Broward County Challenge Grant Programs***

On January 30, 2002, the Town entered into two agreements with Broward County under the Broward County Challenge Grant Program for the construction of several projects related to the Town's Equestrian Park. The County has agreed to reimburse the Town approximately \$676,548 for costs incurred in the construction of the Equestrian Park with the Town required to provide matching funds of \$125,000.

The Town submitted requests for reimbursement of approximately \$148,886 as of September 30, 2002 under these agreements. The grant receivable has been recorded as restricted funds and included with net assets invested in capital assets, net of related debt, since the expenditures were initially paid with FMLC loan proceeds and are required to be used for the development of the Equestrian Park.

***Town Administration Agreement***

On December 13, 2000, the Town entered into an agreement with the Town Administrator for the administration of the Town. The agreement is effective as of January 8, 2001 and has an initial term of five years. After the initial term, the agreement may be extended by mutual agreement. The agreement includes the positions of the Town Administrator and the Town Clerk. The fee for administrative services increases yearly for the next three years as follows:

September 30.

2003	\$ 346,000
2004	362,000
2005	<u>378,000</u>
Total	<u>\$ 1,086,000</u>

***Lease Agreement***

On October 11, 2001, the Town entered into a lease agreement to rent land with stable and living quarters owned by the Town. The lease agreement is effective October 1, 2001 and expires on September 30, 2003. Rental for the first year of the agreement is \$24,900 and increases to \$30,000 on the second year. The lessee has the option to apply for three renewal terms of one year each with incremental rent increases.

***Operating Lease***

On June 28, 2001, the Town entered into a lease agreement for a temporary Town Hall. The lease commenced on June 28, 2001 and expires on June 28, 2004 with monthly payments of \$500. Total rent expense during the period from October 1, 2001 through September 30, 2002 amounted to approximately \$6,000.

**8. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***Operating Lease*** (Continued)

Future minimum lease payments under the Town's operating lease are as follows:

<u>September 30,</u>	
2003	\$ 6,000
2004	<u>4,500</u>
	<u>\$ 10,500</u>

***Construction Commitments***

The Town has outstanding construction commitments as of September 30, 2002 as follows:

Equestrian Park	<u>\$ 1,622,000</u>
-----------------	---------------------

***Litigation***

The Town is a defendant in various suits and claims incidental to its operations. Although the outcome of the lawsuit is not presently determinable, it is the opinion of the Town attorney that resolution of the matter will not have a material adverse effect on the financial condition of the Town.

***Grants***

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Town. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

**9. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was recorded for the Southwest Ranches Volunteer Fire Rescue, Inc. (the "Department"); a discretely presented component unit of the Town, of approximately \$19,651 for the results of the Department's operations for the three month period commencing on October 1, 2001 to December 31, 2001 as the Department had been previously reported as of September 30, 2001 instead of December 31, 2001. The prior period adjustment resulted in an increase of the Department's net assets and fund balance of approximately \$19,651 for the year ended December 31, 2002.

**10. SUBSEQUENT EVENTS**

**Donation from the South Florida Water Management District**

Subsequent to year end, the Town received from the South Florida Water Management District a donation of approximately 10,000 trees including the relocation and planting of those trees with an estimated value of \$1 million.

10. **SUBSEQUENT EVENTS (CONTINUED)**

***Interlocal Agreement with Broward County for the Acquisition, Improvement, Enhancement, Operation and Management of Open Space Sites Purchased by the Town***

On October 1, 2002, the Town entered into an interlocal agreement with Broward County for the acquisition, improvement, enhancement, operation and management of open space sites purchased by the Town. The County per the agreement will reimburse the Town in the amount of \$2,000,000 for the purchase of land formerly known as "Rahesa Farm". The Town had previously purchased Rahesa Farm on September 17, 2001 for approximately \$2,800,000 with the proceeds of a note payable from a local bank which was paid off with the proceeds of the loan from the Florida Municipal Loan Council during 2002. The interlocal agreement also includes a Conceptual Park Management Plan between the County and the Town for the development of a public park referred to as "Rolling Oaks Park" and restricts its use as an open space, for recreational use in perpetuity.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2002

	Police Education <u>Fund</u>	Transportation Reserve Fund	<u>Totals</u>
<u>ASSETS</u>			
Receivables:			
Sales taxes	\$ -	\$ 11,143	\$ 11,143
Due from other funds	<u>6,322</u>	<u>222,892</u>	<u>229,214</u>
Total assets	<u>\$ 6,322</u>	<u>\$ 234,035</u>	<u>\$ 240,357</u>
<u>FUND BALANCE</u>			
Fund balances:			
Reserved	<u>\$ 6,322</u>	<u>\$ 234,035</u>	<u>\$ 240,357</u>

**TOWN OF SOUTHWEST RANCHES, FLORIDA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Police Education Fund</u>	<u>Transportation Reserve Fund</u>	<u>Totals</u>
Revenues:			
Intergovernmental	\$ -	\$ 190,116	\$ 190,116
Fines and forfeitures	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total revenues	<u>2,000</u>	<u>190,116</u>	<u>192,116</u>
Expenditures:			
Current:			
Public works	<u>-</u>	<u>135,620</u>	<u>135,620</u>
Total expenditures	<u>-</u>	<u>135,620</u>	<u>135,620</u>
Excess of revenues over expenditures	<u>2,000</u>	<u>54,496</u>	<u>56,496</u>
Fund balances, beginning of year	<u>4,322</u>	<u>179,539</u>	<u>183,861</u>
Fund balances, end of year	<u>\$ 6,322</u>	<u>\$ 234,035</u>	<u>\$ 240,357</u>

**TOWN OF SOUTHWEST RANCHES, FLORIDA**

BUDGETARY COMPARISON SCHEDULES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Police Education Fund</u>			<u>Transportation Reserve Fund</u>			<u>Totals</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	
Revenues:									
Intergovernmental	\$ -	\$ -	\$ -	\$ 311,000	\$ 190,116	\$ (120,884)	\$ 311,000	\$ 190,116	\$ (120,884)
Fines and forfeitures	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>311,000</u>	<u>190,116</u>	<u>(120,884)</u>	<u>313,000</u>	<u>192,116</u>	<u>(120,884)</u>
Expenditures:									
Current:									
Public safety:									
Police	2,000	-	2,000	-	-	-	2,000	-	2,000
Public works	<u>-</u>	<u>-</u>	<u>-</u>	<u>311,000</u>	<u>135,620</u>	<u>175,380</u>	<u>311,000</u>	<u>135,620</u>	<u>175,380</u>
Total expenditures	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>311,000</u>	<u>135,620</u>	<u>175,380</u>	<u>313,000</u>	<u>135,620</u>	<u>177,380</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 54,496</u>	<u>\$ 54,496</u>	<u>\$ -</u>	<u>\$ 56,496</u>	<u>\$ 56,496</u>
Fund balances, beginning	<u>-</u>	<u>4,322</u>	<u>-</u>	<u>-</u>	<u>179,539</u>	<u>-</u>	<u>-</u>	<u>183,861</u>	<u>183,861</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 6,322</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 234,035</u>	<u>\$ 54,496</u>	<u>\$ -</u>	<u>\$ 240,357</u>	<u>\$ 240,357</u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council  
Town Southwest Ranches, Florida

We have audited the basic financial statements of the Town of Southwest Ranches, Florida (the Town) as of and for the fiscal year ended September 30, 2002, and have issued our report dated March 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, non-compliance 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 three instances of non-compliance that are required to be reported under *Government Auditing Standards*, which are described in the schedule of findings and recommendations as items 2001-3, 2002-1, and 2002-2.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as items 2001-3, 2002-1, 2002-2, 2002-3 and 2002-4.

Honorable Mayor and Town Council  
Town Southwest Ranches, Florida

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above as items 2001-3, 2002-2 and 2002-4 to be a material weakness.

We also noted other matters that we have reported to management in the schedule of findings accompanying this report.

This report is intended solely for the information and use of the Mayor, Town Council, management and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Grau & Company*

March 12, 2003

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

Honorable Mayor and Town Council  
Town of Southwest Ranches, Florida

We have audited the basic financial statements of the Town of Southwest Ranches, Florida (the Town) as of and for the fiscal year ended September 30, 2002, and have issued a report thereon dated March 12, 2003

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

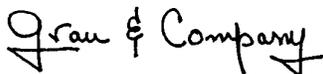
The purpose of this letter is to comment on those matters described in Rule 10.554(1)(j) required by the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the basic financial statements of the Town, as described in the first paragraph, we report on the following, which is included on pages 43 through 57.

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

We previously reported on the Town's compliance and internal control over financial reporting and compliance in our reports dated March 12, 2003 on pages 40 and 41.

This report is intended for the information of the Mayor, Town Council, Town Manager and management of the Town of Southwest Ranches, Florida, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Town of Southwest Ranches, Florida, and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.



March 12, 2003

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**

**SECTION I – CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**NON-COMPLIANCE**

***2002-1 Purchases of Land***

**Condition**

Section 166.045 (1) (b), Florida Statutes (F.S.) “Proposed purchase of real property by municipality; confidentiality of records; procedure” states that for each purchase of real property in excess of \$500,000, the governing body must obtain at least two appraisals by appraisers approved pursuant to Section 253.025 F.S. If the agreed purchase price exceeds the average appraised price of the two appraisals, the governing body is required to approve the purchase by an extraordinary vote. During our compliance testing, we noted that only one appraisal was obtained for the \$2,000,000 land purchased on September 20, 2002 (Frontier Trails). Although, the purchase price was below the appraised amount, the Town did not obtain the second appraisal as required under the abovementioned statute.

**Recommendation**

We recommend that the Town follow Florida Statute Section 166.045 (1) (b) for future purchases of real property.

**Management’s Response**

We agree with the recommendation and will comply with the Florida Statute mentioned above on future land purchases.

***2002-2 Loan Covenants***

**Condition**

During our compliance testing, we noted that the \$2,000,000 note payable to a local bank described in Note 6 of the financial statements was secured by the Town’s covenant to budget and appropriate in each fiscal year amounts sufficient to pay the principal and interest coming due in such fiscal year, until the Note has been paid in full. The Town did not appropriate for debt service on this note payable for the Town’s 2003 budget.

**Recommendation**

We recommend that the Town include an appropriation for the debt service payment required for the \$2,000,000 note payable, when the Town amends its 2003 budget.

**Management’s Response**

We agree with the recommendation and will include in the 2003 budget amendment.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION I – CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**REPORTABLE CONDITION**

***2002-3 Bank Reconciliation***

**Condition**

During our testing of cash, we noted that there were several checks listed as outstanding which had already cleared the bank or had been reissued. By including these checks in the outstanding check list, the Town's cash was understated.

We also noted a deposit, which was dated May 2002 in the Town's accounting system; however, it was not received until October 2003. The deposit was not included as a Deposit in Transit or receivable, since it was recorded as received in the system. This caused a difference between the bank reconciliation and the general ledger.

**Recommendation**

We recommend that the Town void those checks, which were reissued from the accounting system and correct the bank reconciliation.

**Management's Response**

We agree with the recommendation and will void the checks and correct the bank reconciliation.

***2002-4 Proper Year-End Cut-Off Procedures***

**Condition**

During our testing of accounts receivable and accounts payable we noted several instances where the receivables and payables were not recorded in the proper period. For example, there were grant reimbursement receivables and taxes receivables, which were not recorded and expenditures for the 2002 fiscal year, which had not been accrued. By not recording receivables and payables to the correct period the Town may be overstating or understating its assets, liabilities, revenues or expenditures.

**Recommendation**

We recommend that the Town carefully review all receipts received and payments made after the fiscal year end to ensure they have been properly accrued.

**Management's Response**

We agree with the auditors' recommendation and have implemented the suggested procedures.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION I – CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**OTHER MATTERS**

***2002-5 Financial Disclosure Forms***

**Condition**

Section 112.3145, Florida Statutes “Disclosure of financial interests and clients represented before agencies” requires the filing of a financial disclosure form by its public officers and employees. The Town Clerk is responsible for obtaining these forms and forwarding them to the Supervisor of Elections. During our testing of compliance, we were not able to ascertain whether the required forms were actually filed, because the Town did not retain copies of the forms for the Town’s records.

**Recommendation**

We recommend that the Town Clerk retain copies of the forms filed for the Town’s records.

**Management’s Response**

We agree with the recommendation and will retain copies of financial disclosure forms for our records.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION II – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

The following is a summary of the status of prior year findings and recommendations with the details directly below the summary:

<u><b>Finding</b></u>	<u><b>Implemented</b></u>	<u><b>Not Implemented</b></u>
<b><u>Non- Compliance</u></b>		
2001-1 Uniform Accounting System Chart of Accounts	X	
2001-2 Surety Bond for Town Administrator	X	
2001-3 Expenditures Incurred Over Appropriations		X
<b><u>Other Matters</u></b>		
2001-4 New Pronouncement	X	
2001-5 Local Government Investment Policies	X	
2001-6 Policies and Procedures Manual		X
2001-7 Segregation of Duties	X	
2001-8 Investment of Surplus Funds		X
2001-9 Accounting Software		X
2001-10 Use of Automated Teller Machine Cards		X
2001-11 Council Approval of Purchases	X	
2001-12 Fixed Assets Inventory and Identification	X	

**NON-COMPLIANCE**

***2001-1 Uniform Accounting System Chart of Accounts***

**Condition**

Section 218.33, Florida Statutes (F.S.) states that the Department of Banking and Finance shall make such reasonable rules and regulations regarding uniform accounting practices and procedures by local governmental entities in this state, including uniform classification of accounts, as it considers necessary to assure the use of proper accounting and fiscal management techniques by such units. The Department of Banking and Finance developed the Uniform Accounting System Chart of Accounts to be as the standard for recording and reporting financial information to the State of Florida. As mandated by Section 218.33, F.S, reporting units should use this chart of accounts as an integral part of their accounting system. In order to perform our audit we had to number the Town's chart of account to comply with Section 218.33 F.S. and to file the annual financial report in compliance with Section 218.32 F.S.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION II – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**NON-COMPLIANCE (CONTINUED)**

***2001-1 Uniform Accounting System Chart of Accounts (Continued)***

**Recommendation**

We recommend that the Town use the Uniform Accounting System Chart of Accounts for recording and reporting its financial information.

**Management's Response**

The Town will implement the use of the Uniform Accounting System Chart of Accounts for recording and reporting its financial information.

**Status**

The Town has implemented this recommendation.

***2001-2 Surety Bond for Town Administrator***

**Condition**

The Town Charter Section 3.05 Bond of Administrator states that the Town Administrator should furnish a surety bond to be approved by the Council, and in such amount as the Council may fix, said bond to be conditioned on the faithful performance of his duties. There was no surety bond furnished to, or approved by the Council.

**Recommendation**

We recommend that the Town comply with the Town Charter Section 3.05 Bond of Administrator and approve a surety bond on the Town Administrator.

**Management's Response**

We agree with the recommendation and will furnish a surety bond on the Town Administrator in compliance with the Town's Charter Section 3.05 for approval by the Town Council.

**Status**

The Town has implemented this recommendation.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION II – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**NON-COMPLIANCE (CONTINUED)**

***2001-3 Expenditures Incurred Over Appropriations***

**Condition**

In accordance with the 2001 Florida Statutes Title XII Chapter 166.241(3) and the Town Charter Section 3.09, a municipality's budget must regulate expenditures and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations. The Town's expenditures exceeded appropriations by approximately \$3.6 million in the general fund.

**Recommendation**

We recommend that the Town comply with the Florida Statutes regarding compliance with budgeted appropriations. If expenditures exceed appropriations then the Town should amend the budget for supplemental appropriations by ordinance or resolution, as appropriate.

**Management's Response**

The excess of expenditures over appropriations was caused by a purchase of land of approximately \$2.8 million, which occurred on September 17, 2001, which was approved by Council and funded through a \$2.8 million loan. We agree with the recommendation and will comply with Florida Statute 166.241(3) in 2001.

**Status**

During the 2002 audit we noted expenditures over appropriations, which were disclosed in Note 2. This comment will be repeated.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION II – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**OTHER MATTERS**

**2001-4    *New Pronouncement***

***Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments***

**Condition**

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. These new requirements were developed to make annual financial reports more comprehensive and easier to understand and use. The new reporting model will include government-wide financial statements as well as fund financial statements as well as a management's discussion and analysis section. Implementation is required for fiscal year ending September 30, 2004, however, the Town has elected to implement the standard during the fiscal year ended September 30, 2002.

**Recommendation**

We recommend that the Town review the new requirements and create an action plan for the implementation of this new standard.

**Management's Response**

The Town will review the new requirements and create an action plan for the implementation of this new standard, two years prior to the required time frame for implementation.

**Status**

The Town has implemented this recommendation. This comment shall not be repeated.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION II – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**OTHER MATTERS (CONTINUED)**

***2001-5 Local Government Investment Policies***

**Condition**

Effective October 1, 2000, the Town was required to comply with Section 218.415 (17) F.S. (2000) Local Government Investment Policies. The Town with Resolution 2000-6 adopted an investment policy as provided in Section 218.415 (15) F.S. (1999). However, the proper section of the Florida Statutes should have been Section 218.415(17) F.S (2000).

**Recommendation**

Although the Town has no investments during the 2001 fiscal year, we recommend that the Town adopt an investment policy as provided in Section 218.415 (17) F.S. (2000).

**Management's Response**

The Town will adopt an investment policy as provided in Section 218.415 (17) F.S. (2000) before it invests any public funds.

**Status**

The Town has implemented this recommendation. This comment shall not be repeated.

***2001-6 Policies and Procedures Manual***

**Condition**

Written policies and procedures, which clearly define responsibilities of employees, are essential in order to provide both management and employees with guidelines regarding the efficient and consistent conduct of Town business and the effective safeguarding of the Town's assets. In addition, written policies and procedures, if properly designed, communicated to employees, and effectively placed in operation, provide management additional assurances that Town activities are conducted in accordance with applicable laws, ordinances, and other guidelines, and that the Town financial records provide reliable information necessary for management oversight. Also, written policies and procedures assist in the training of new employees. Our review of Town operations disclosed that the Town did not have written policies and procedures for many of its accounting and other business related functions.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION II – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**OTHER MATTERS (CONTINUED)**

***2001-6 Policies and Procedures Manual (Continued)***

**Recommendation**

We recommend that the Town adopt comprehensive written policies and procedures consistent with applicable laws, ordinances, and other guidelines.

**Management's Response**

The Town is currently preparing a comprehensive written program for policies and procedures consistent with applicable laws, ordinances, and other guidelines.

**Status**

A policies and procedures manual has not been completed as of September 30, 2002. This comment will be repeated.

***2001-7 Segregation of Duties***

**Condition**

Although the small size of the Town's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

One of the most critical areas of separation is cash, where we noted that the Town accountant handles incoming checks, prepares the deposit slip, posts receipts and reconciles the monthly bank statement. The result is the danger that intentional or unintentional errors could be made and not be detected.

**Recommendation**

We suggest that the receptionist or Town Clerk open the mail, prepare a prelist of cash received, and prepare the deposit slips. The Town Administrator should receive, open and review the bank statements and canceled checks before turning them over to the accountant to prepare the bank reconciliations. The Town Administrator or the Mayor should then review the reconciliations after they are prepared. These simple steps would not require the addition of any new employees or add significant time to the Town's staff.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION II – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**OTHER MATTERS (CONTINUED)**

**2001-7 Segregation of Duties (Continued)**

**Management's Response**

The Town has recently increased staff. The Town will have the receptionist or Town Clerk open the mail, a new staff person will prepare a prelist of cash received and prepare the deposit slips. The Town Administrator will receive, open and review bank statements and canceled checks before turning them over to the accountant to prepare the bank reconciliations. The Town Administrator will review the reconciliations after they are prepared.

**Status**

The Town has implemented this recommendation.

**2001-8 Investment of Surplus Funds**

**Condition**

During our testing of cash, we noted that the Town currently deposits a large amount of excess cash with a local bank, which currently provides the Town with 0.20% to 0.25% return on those deposits. There are other options permitted under Section 218.45 of the Florida Statutes for the investment of the Town's excess cash which could provide a higher return, with the same level of security and liquidity.

**Recommendation**

The Town should review its current investment of excess cash and possibly invest in other types of investments permitted under Section 218.45 of the Florida Statutes.

**Management's Response**

The Town will review the benefits of investing its temporary excess cash in those investments permitted under the Florida Statutes.

**Status**

The Town did not implement this recommendation during 2002. This comment will be repeated.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION II – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**OTHER MATTERS (CONTINUED)**

***2001-9 Accounting Software***

**Condition**

The Town is currently using Quickbooks Pro 2001 to record and report the Town's transactions. This software is not designed for fund accounting. The Town currently has three special revenue funds, two account groups and the general fund. As the Town grows and the number of funds increase the current software will be inadequate to maintain all the different funds.

The Town segregates the funds in Quickbooks by class, however, we noted that although the trial balance for the Town was in balance, when segregated by individual funds it did not balance. The trial balances did not balance because the due to/from accounts were not adjusted for the transactions that affected each individual fund.

**Recommendation**

We recommend that the Town research and test different accounting software suitable for fund accounting in order to adequately record and maintain all of the Town's funds. If the Town continues to use Quickbooks, then the fund trial balances should be segregated by class to ensure that all funds balance and the due to/from's are properly adjusted.

**Management's Response**

The Town is currently researching and will test different accounting software to record and maintain all of the Town's funds properly.

**Status**

The Town did not implement this recommendation during 2002. This comment will be repeated.

***2001-10 Use of Automated Teller Machine Cards***

**Condition**

We noted that the Town used an Automated Teller Machine Card (ATM) for numerous purchases during the year. Although the use of an ATM card is convenient, we do not recommend the use by Town's personnel. An ATM card can be lost and subject to misappropriation, also purchases are usually made without proper approval or without passing through the purchase approval process.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION II – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**OTHER MATTERS (CONTINUED)**

***2001-10 Use of Automated Teller Machine Cards (Continued)***

**Recommendation**

We recommend that the Town consider not using any ATM cards.

**Management's Response**

The Town is currently reviewing the use of ATM cards and has significantly reduce the usage.

**Status**

The Town did not implement this recommendation during 2002. This comment will be repeated.

***2001- 11 Council Approval of Purchases***

***Condition***

The Town adopted Resolution 2001-51, which set the limit of \$25,000 and higher, on those purchases which require Council approval. Any purchases below \$25,000 only need approval of the Town Administrator. Due to the size of the Town we believe that this limit is too high, since there is already a lack of segregation of duties in the accounting department due to the small size of the staff. By lowering the limit to \$15,000, would provide a greater level of control over the Town's expenditures.

***Recommendation***

We recommend that the Town lower the level of Council approval for purchases from \$25,000 to \$15,000 to provide a greater level of control.

***Management's Response***

The Town will present a new Resolution to the Town Council recommending that the Council approval level be adjusted to \$15,000 for operating expenditures and \$25,000 for capital expenditures.

***Status***

The Town has implemented this recommendation. This comment shall not be repeated.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION II – STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

**OTHER MATTERS (CONTINUED)**

***2001-12 Fixed Assets Inventory and Identification***

**Condition**

During our testing of fixed assets we noted that the Town did not perform a year-end inventory of fixed assets and that the fixed assets are not tagged for identification. Since the Town was recently incorporated a detailed fixed asset inventory should be performed as soon as possible to ensure all assets are recorded in the Town's books. Also, all fixed assets should be tagged and identified by that tag number in the financial records. This will provide a high level of control over fixed assets and assist in the implementation of GASB 34 as described in finding 2001-3. By performing a yearly inventory of fixed assets the Town administration will be able to prepare more accurate records for capital expenditures, identify obsolete equipment or possible theft.

**Recommendation**

We recommend that the Town perform a fixed asset inventory count, tag and record all assets for proper identification in the accounting records.

**Management Response**

The Town will perform a fixed asset inventory count, tag and record all assets for proper identification in the accounting records.

**Status**

The Town did not implement this recommendation during 2002. This recommendation will be repeated.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

1. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit report, except as disclosed in the schedule of findings and recommendations.
2. Recommendations, except for those addressed in the schedule of findings and recommendations, made in the preceding annual financial audit report have been addressed.
3. Recommendations to improve the Town's present financial management, accounting procedures and internal controls are accompanying this report in the schedule of findings and recommendations.
4. During the course of our audit, nothing came to our attention that caused us to believe that the Town:
  - a. Was in violation of any laws, rules, regulations and contractual provisions, except as disclosed in the schedule of findings and recommendations.
  - b. Made any illegal or improper expenditures, except as disclosed in the schedule of findings and recommendations.
  - c. Had improper or inadequate accounting procedures; except as disclosed in the schedule of findings and recommendations.
  - d. Failed to record financial transactions.
  - e. Had other inaccuracies, shortages, defalcations and instances of fraud.
5. The Town of Southwest Ranches, Florida was incorporated in accordance with House Bill No. 1777 on June 6, 2000. The Southwest Ranches Volunteer Fire-Rescue Inc., a discretely presented component unit of the Town, was incorporated under the laws of the State of Florida on January 2, 2001.
6. The Town was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
7. The Town, during fiscal year 2002, was not in a state of financial emergency as defined by Florida Statute, Section 218.503(1).
8. The annual financial report for the fiscal year ended September 30, 2002 has been filed with the Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2002.

**TOWN OF SOUTHWEST RANCHES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA (CONTINUED)**

9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment, which was performed as of the Town's fiscal year end, was based on representations made by management and the review of financial information provided by the Town. There were no findings of deteriorating financial conditions.