

TOWN OF SOUTHWEST RANCHES, FLORIDA
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

TOWN OF SOUTHWEST RANCHES, FLORIDA

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INDEPENDENT AUDITORS' REPORT

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

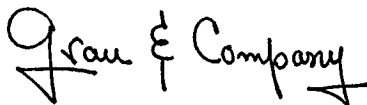
We have audited the accompanying general purpose financial statements of the Town of Southwest Ranches, Florida (the Town) as of and for the fiscal year ended September 30, 2001 as listed in the table of contents. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose 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 general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town as of September 30, 2001, and the results of its operations for the fiscal year ended September 30, 2001, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2002 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying combining statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



March 12, 2002

TOWN OF SOUTHWEST RANCHES, FLORIDA

COMBINED BALANCE SHEET -
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUPS

SEPTEMBER 30, 2001

	Governmental Fund <u>Types</u>		Account <u>Groups</u>		Totals	Component	Totals
	General <u>Fund</u>	Special Revenue <u>Funds</u>	General Fixed <u>Assets</u>	General Long Term <u>Debt</u>	Primary Government (Memorandum <u>Only</u>)	Unit Southwest Ranches Volunteer <u>Fire-Rescue, Inc.</u>	Reporting Entity (Memorandum <u>Only</u>)
<u>ASSETS AND OTHER DEBITS</u>							
Cash and cash equivalents	\$ 979,491	\$ -	\$ -	\$ -	\$ 979,491	\$ 7,083	\$ 986,574
Receivables:							
Utility taxes	45,581	-	-	-	45,581	-	45,581
Franchise fees	38,137	-	-	-	38,137	-	38,137
Due from other funds	-	183,861	-	-	183,861	-	183,861
Fixed assets	-	-	3,943,771	-	3,943,771	17,000	3,960,771
Amount to be provided for long-term debt	-	-	-	3,780,132	3,780,132	-	3,780,132
Total assets and other debits	<u>\$ 1,063,209</u>	<u>\$ 183,861</u>	<u>\$ 3,943,771</u>	<u>\$ 3,780,132</u>	<u>\$ 8,970,973</u>	<u>\$ 24,083</u>	<u>\$ 8,995,056</u>
<u>LIABILITIES, FUND BALANCE AND OTHER CREDIT</u>							
Liabilities:							
Accounts payable	\$ 155,448	\$ -	\$ -	\$ -	\$ 155,448	\$ 3,431	\$ 158,879
Due to other funds	183,861	-	-	-	183,861	-	183,861
Notes payable	-	-	-	3,780,132	3,780,132	-	3,780,132
Total liabilities	<u>339,309</u>	<u>-</u>	<u>-</u>	<u>3,780,132</u>	<u>4,119,441</u>	<u>3,431</u>	<u>4,122,872</u>
Fund balance and other credit:							
Investment in general fixed assets	-	-	3,943,771	-	3,943,771	17,000	3,960,771
Fund balance:							
Reserved	-	183,861	-	-	183,861	3,652	187,513
Unreserved	<u>723,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>723,900</u>	<u>-</u>	<u>723,900</u>
Total fund balances	<u>723,900</u>	<u>183,861</u>	<u>-</u>	<u>-</u>	<u>907,761</u>	<u>3,652</u>	<u>911,413</u>
Total liabilities, fund balance and other credit	<u>\$ 1,063,209</u>	<u>\$ 183,861</u>	<u>\$ 3,943,771</u>	<u>\$ 3,780,132</u>	<u>\$ 8,970,973</u>	<u>\$ 24,083</u>	<u>\$ 8,995,056</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ALL GOVERNMENTAL FUNDS TYPES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	General Fund	Special Revenue Funds	Totals Primary Government (Memorandum Only)	Component Unit Southwest Ranches Volunteer Fire-Rescue, Inc.	Totals Reporting Entity (Memorandum Only)
Revenues:					
Ad valorem taxes	\$ 2,147,639	\$ -	\$ 2,147,639	\$ -	\$ 2,147,639
Utility taxes	402,890	-	402,890	-	402,890
Franchise fees	351,016	-	351,016	-	351,016
Licenses and permits	130,123	-	130,123	-	130,123
Intergovernmental	596,408	213,816	810,224	-	810,224
Fines and forfeitures	10,693	4,322	15,015	-	15,015
Interest	35,669	-	35,669	-	35,669
Other	4,993	-	4,993	23,211	28,204
Total revenues	<u>3,679,431</u>	<u>218,138</u>	<u>3,897,569</u>	<u>23,211</u>	<u>3,920,780</u>
Expenditures:					
Current:					
General government:					
Town Council	23,996	-	23,996	-	23,996
Town administration	372,938	-	372,938	-	372,938
Town attorney	196,011	-	196,011	-	196,011
Total general government	<u>592,945</u>	<u>-</u>	<u>592,945</u>	<u>-</u>	<u>592,945</u>
Public Safety:					
Police	955,406	-	955,406	-	955,406
Fire	865,700	-	865,700	19,559	885,259
Total public safety	<u>1,821,106</u>	<u>-</u>	<u>1,821,106</u>	<u>19,559</u>	<u>1,840,665</u>
Community development	235,900	-	235,900	-	235,900
Parks and recreation	46,386	-	46,386	-	46,386
Public works	-	14,845	14,845	-	14,845
Non-departmental	58,920	-	58,920	-	58,920
Debt service:					
Principal	19,868	-	19,868	-	19,868
Interest	24,838	-	24,838	-	24,838
Total debt service	<u>44,706</u>	<u>-</u>	<u>44,706</u>	<u>-</u>	<u>44,706</u>
Capital outlay	3,955,568	19,432	3,975,000	-	3,975,000
Total expenditures	<u>6,755,531</u>	<u>34,277</u>	<u>6,789,808</u>	<u>19,559</u>	<u>6,809,367</u>
(Deficiency) excess of revenues over expenditures	<u>(3,076,100)</u>	<u>183,861</u>	<u>(2,892,239)</u>	<u>3,652</u>	<u>(2,888,587)</u>
Other financing sources:					
Debt proceeds	3,800,000	-	3,800,000	-	3,800,000
Excess of revenues over expenditures and other financing sources	<u>723,900</u>	<u>183,861</u>	<u>907,761</u>	<u>3,652</u>	<u>911,413</u>
Fund balances, beginning of year	-	-	-	-	-
Fund balances, end of year	<u>\$ 723,900</u>	<u>\$ 183,861</u>	<u>\$ 907,761</u>	<u>\$ 3,652</u>	<u>\$ 911,413</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	General Fund			Special Revenue Funds			Total		Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	
Revenues:									
Ad valorem taxes	\$ 1,910,317	\$ 2,147,639	\$ 237,322	\$ -	\$ -	-	\$ 1,910,317	\$ 2,147,639	\$ 237,322
Utility taxes	703,491	402,890	(300,601)	-	-	-	703,491	402,890	(300,601)
Franchise fees	337,607	351,016	13,409	-	-	-	337,607	351,016	13,409
Licenses and permits	305,000	130,123	(174,877)	-	-	-	305,000	130,123	(174,877)
Intergovernmental	620,598	596,408	(24,190)	175,580	213,816	38,236	796,178	810,224	14,046
Fines and forfeitures	10,000	10,693	693	2,000	4,322	2,322	12,000	15,015	3,015
Interest	50,000	35,669	(14,331)	-	-	-	50,000	35,669	(14,331)
Other	40,000	4,993	(35,007)	-	-	-	40,000	4,993	(35,007)
Total revenues	3,977,013	3,679,431	(297,582)	177,580	218,138	40,558	4,154,593	3,897,569	(257,024)
Expenditures:									
Current:									
General government:									
Town Council	47,600	23,996	23,604	-	-	-	47,600	23,996	23,604
Town administration	401,000	372,938	28,062	-	-	-	401,000	372,938	28,062
Town attorney	210,000	196,011	13,989	-	-	-	210,000	196,011	13,989
Total general government	658,600	592,945	65,655	-	-	-	658,600	592,945	65,655
Public Safety:									
Police	955,000	955,406	(406)	2,000	-	2,000	957,000	955,406	1,594
Fire	868,600	865,700	2,900	-	-	-	868,600	865,700	2,900
Total public safety	1,823,600	1,821,106	2,494	2,000	-	2,000	1,825,600	1,821,106	4,494
Community development	424,000	235,900	188,100	-	-	-	424,000	235,900	188,100
Parks and recreation	60,000	46,386	13,614	-	-	-	60,000	46,386	13,614
Public works	35,000	-	35,000	7,080	14,845	(7,765)	42,080	14,845	27,235
Non-departmental	20,000	58,920	(38,920)	-	-	-	20,000	58,920	(38,920)
Debt service:									
Principal	28,000	19,868	8,132	-	-	-	28,000	19,868	8,132
Interest	25,000	24,838	162	-	-	-	25,000	24,838	162
Total debt service	53,000	44,706	8,294	-	-	-	53,000	44,706	8,294
Capital outlay	62,000	3,955,568	(3,893,568)	168,500	19,432	149,068	230,500	3,975,000	(3,744,500)
Total expenditures	3,136,200	6,755,531	(3,619,331)	177,580	34,277	143,303	3,313,780	6,789,808	(3,476,028)
(Deficiency) excess of revenues over expenditures	840,813	(3,076,100)	(3,916,913)	-	183,861	183,861	840,813	(2,892,239)	(3,733,052)
Other financing sources:									
Debt proceeds	-	3,800,000	3,800,000	-	-	-	-	3,800,000	3,800,000
Excess of revenues over expenditures and other financing sources	840,813	723,900	(116,913)	-	183,861	183,861	840,813	907,761	66,948
Fund balances, beginning of year	-	-	-	-	-	-	-	-	-
Fund balances, end of year	\$ 840,813	\$ 723,900	\$ (116,913)	\$ -	\$ 183,861	\$ 183,861	\$ 840,813	\$ 907,761	\$ 66,948

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

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 general purpose financial statements. The policies are considered essential and should be read in conjunction with the general purpose 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 1, 2001, to serve all the citizens of the Town and when

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

a. **Financial Reporting Entity (Continued)**

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.

b. **Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Town are organized and operated on the basis of funds and account groups. 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. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

These general purpose financial statements represent the Town's operations for the fiscal year ended September 30, 2001 as there was no activity for the transitional period of June 6, 2000 through September 30, 2000. For the transitional period of June 6, 2000 (inception) through September 30, 2000, Broward County provided all municipal services for the Town and, therefore, retained all the revenues.

The Town has the following fund types and account groups:

Governmental funds are used to account for the Town's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Taxes, intergovernmental revenues, and interest are susceptible to accrual. Sales taxes collected and held by the State at year end on behalf of the Town are also recognized as revenue. Other receipts and fees become measurable and available when cash is received by the Town and are recognized as revenue at that time.

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

b. **Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

Entitlements and shared revenues are recorded at the time of receipt or earlier if susceptible to accrual. Expenditure driven grants will be recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental Funds include the following fund types:

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.

The **Special Revenue Funds** account for revenue sources that are legally restricted to expenditures for specific purposes. The Town maintains four special revenue funds; the Southwest Ranches Volunteer Fire-Rescue, Inc. , the Police Education Fund, the Street Maintenance Reserve Fund and the Transportation Reserve Fund.

Account Groups. The **general fixed assets account group** is used to account for the Town's fixed assets. The **general long-term debt account group** is used to account for general long-term debt.

c. **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.

d. **Interfund Receivables and Payables**

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."

e. **General Fixed Assets**

Fixed assets used in governmental funds are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. The Town does not include infrastructure assets in the general fixed assets account group. In accordance with the accounting principles generally accepted in the United States of America, depreciation is not required and has not been provided for on general fixed assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Long-Term Obligations

The Town reports long-term debt of governmental funds at face value in the general long-term debt account group.

g. Ad Valorem Taxes

Property taxes are billed and collected within the same fiscal period and are recognized on a modified accrual basis. 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 3.8933 for the fiscal year ended September 30, 2001. As of September 30, 2001, there were no delinquent personal property taxes.

h. Reserves and Designations

Fund balances are reserved to indicate that a portion of fund balance is not available for appropriation or is legally segregated for a specific future use. 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.

i. Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve or designated to that portion of the applicable appropriation, is not utilized by the Town. However, the Town records; under reserve for encumbrance; purchase orders or commitments for projects outstanding at the end of the fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. 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.

k. Memorandum Only-Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Interfund eliminations have not been made in the aggregation of this data.

l. New Pronouncements

The Town has adopted GASB Statement No. 33, "*Accounting and Financial Reporting for Non-Exchange Transactions*," for its fiscal year ended September 30, 2001. Upon review of GASB Statement No. 33, management has determined that there is no impact upon the Town's current general purpose financial statements. Management will continue to monitor operations in order to ensure proper application of GASB Statement No. 33.

The Town intends to adopt Statement No 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*" for its fiscal year ending September 30, 2002, although it is not required until September 30, 2004. Management has not yet completed the process of evaluating the impact that will result from adopting this statement and is therefore unable to disclose the effect it will have on the Town's general purpose financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. 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)

1. 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. The legal level of control is at the governing council level.
- e. Annual appropriated budgets are adopted for the General, the Police Education Fund, the Street Maintenance Reserve 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. There were no supplemental appropriations during fiscal year ended September 30, 2001.

2. Expenditures incurred over Appropriations

Expenditures exceeded appropriations in the General Fund by approximately \$3.6 million. This excess was funded by debt proceeds by the issuance of debt of totaling \$3.8 million.

3. CASH AND CASH EQUIVALENTS

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.

4. GENERAL FIXED ASSETS

Activity in the general fixed assets account group for the period from October 1, 2000 through September 30, 2001 was as follows:

	Balance October 1, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2001</u>
Land	\$ -	\$ 3,930,956	\$ -	\$ 3,930,956
Furniture and equipment	-	12,815	-	12,815
	<u>\$ -</u>	<u>\$ 3,943,771</u>	<u>\$ -</u>	<u>\$ 3,943,771</u>

The General Fund was the source of the general fixed assets acquired during fiscal year ended September 30, 2001.

5. LONG-TERM DEBT

Note Payable - \$1,000,000

On June 4, 2001, the Town executed a loan agreement for the issuance of a \$1,000,000 note with a local bank. The Note requires payments of principal and interest commencing on July 5, 2001 and last payment due on July 5, 2011. The initial interest rate of the note was 4.48% and will automatically adjust on the fifth day of the month, beginning July 5, 2001, to sixty four percent (64%) of the interest rate listed in the previous edition of the

5. LONG-TERM DEBT (CONTINUED)

Note Payable - \$1,000,000 (Continued)

Wall Street Journal as the "Prime Rate". The Note is secured in parity with the Note of \$2,800,000 described below by a lien on and pledge of the Franchise fee, the proceeds of the Public Service Tax and Communication Service Tax Revenues. The note has an outstanding balance of \$980,132 as of September 30, 2001.

Note Payable - \$2,800,000

On September 14, 2001, the Town executed a loan agreement for the issuance of a \$2,800,000 note to a local bank. The Note requires payments of principal and interest commencing on October 14, 2001 and last payment due on September 14, 2006. The initial interest rate of the note was 4.16% and will automatically adjust on the fourteenth day of the month, beginning October 14, 2001, to sixty four percent (64%) of the interest rate listed in the previous edition of the Wall Street Journal as the "Prime Rate". The Note is secured in parity with the Note of \$1,000,000 described above by a lien on and pledge of the Franchise fee, the proceeds of the Public Service Tax and Communication Service Tax Revenues. The note has an outstanding balance of \$2,800,000 as of September 30, 2001.

Subsequent to year end, the Notes were paid off with the proceeds of the \$4,985,000 loan from Florida Municipal Loan Council Revenue Bonds. (See Note 8 - Subsequent Events)

6. RISK MANAGEMENT

The Town is exposed to various risks of loss related torts, theft of, damage and destruction of assets, errors and omissions and natural disasters for which the Town carries commercial insurance.

7. COMMITMENTS AND CONTINGENCIES

Agreement with Broward County for Local Police Patrol Services

Effective October 1, 2000, the Town executed an agreement with the Broward County Sheriff's Office (BSO) for local police patrol services totaling \$955,406. The agreement expires on September 30, 2001 and may be renewed for an additional one year period. Subsequent to year end, the Town exercised its option to renew the contract for police services for a total fee of \$1,022,000.

7. **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 executed 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 is 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 for the initial year ended September 30, 2001 were \$350,000 and 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. Subsequent to year end the agreement was renewed for an additional one year term at a cost of \$376,000.

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

Effective October 1, 2000, the Town executed 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 is 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 for the initial year ended September 30, 2001 were \$500,000 and will increase by an amount not to exceed \$25,000 per year. Subsequent to year end the agreement was renewed for an additional one year term at a cost of \$525,000.

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

Effective July 1, 2001, the Town executed 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.

Town Administration Agreement

On December 13, 2000, the Town executed 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 was \$236,250 for the initial nine months and increases yearly for the next four years as follows:

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

Town Administration Agreement (Continued)

<u>September 30,</u>	
2002	\$ 331,000
2003	346,000
2004	362,000
2005	<u>378,000</u>
Total	<u>\$ 1,417,000</u>

Lawsuit

The Town is a defendant in a lawsuit 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.

Operating Lease

On June 28, 2001, the Town executed 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 expenses during the period from October 1, 2000 through September 30, 2001 amounted to approximately \$12,000.

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

<u>September 30,</u>	
2002	\$ 6,000
2003	6,000
2004	<u>4,500</u>
	<u>\$ 16,500</u>

8. **SUBSEQUENT EVENTS**

Lease Agreement

On October 11, 2001, the Town executed 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.

8. SUBSEQUENT EVENTS (CONTINUED)

Loan Agreement (Continued)

On November 15, 2001, the Town executed a loan agreement with the Florida Municipal Loan Council funded from proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2001 A (the Bonds) for a total of \$5,099,752 (\$4,985,000 par amount of the Bonds plus a \$114,752 reoffering premium). The loan calls for 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 on November of each fiscal year commencing on November 1, 2002 through May 1, 2025. The Town has pledged all revenues derived from any source other than ad valorem taxation on real and personal property which are legally available for loan repayments. The proceeds of the loan were used to pay-off notes payable outstanding of approximately \$3,800,000 as described in Note 5 Long-Term Debt and for acquisitions of property for parks and recreation.

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

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ -	\$ 113,000	\$ 113,000
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
2007-2011	500,000	1,100,000	1,600,000
2012-2016	635,000	936,000	1,598,000
2017-2021	820,000	775,000	1,595,000
2022-2026	1,050,000	548,000	1,598,000
2027-2032	<u>1,640,000</u>	<u>255,000</u>	<u>1,895,000</u>
	<u>\$ 4,985,000</u>	<u>\$ 4,710,000</u>	<u>\$ 9,695,000</u>

Donation of Land from Broward County

On December 5, 2001, Broward County donated a 19 acres parcel of land to the Town appraised at approximately \$2,000,000.

TOWN OF SOUTHWEST RANCHES, FLORIDA

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2001

	Police Education Fund	Street Maintenance Reserve Fund	Transportation Reserve Fund	Totals
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other funds	<u>4,322</u>	<u>179,539</u>	-	<u>183,861</u>
Total assets	<u>\$ 4,322</u>	<u>\$ 179,539</u>	<u>\$ -</u>	<u>\$ 183,861</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved	<u>4,322</u>	<u>179,539</u>	-	<u>183,861</u>
Total fund balances	<u>4,322</u>	<u>179,539</u>	<u>-</u>	<u>183,861</u>
Total liabilities and fund balances	<u>\$ 4,322</u>	<u>\$ 179,539</u>	<u>\$ -</u>	<u>\$ 183,861</u>

TOWN OF SOUTHWEST RANCHES, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	Police Education Fund	Street Maintenance Reserve Fund	Transportation Reserve Fund	Totals
Revenues:				
Intergovernmental	\$ -	\$ 213,816	\$ -	\$ 213,816
Fines and forfeitures	4,322	-	-	4,322
Other	-	-	-	-
Total revenues	4,322	213,816	-	218,138
Expenditures:				
Current:				
Public safety:				
Fire	-	-	-	-
Public works	-	14,845	-	14,845
Capital outlay	-	19,432	-	19,432
Total expenditures	-	34,277	-	34,277
Excess of revenues over expenditures	4,322	179,539	-	183,861
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ 4,322	\$ 179,539	\$ -	\$ 183,861

TOWN OF SOUTHWEST RANCHES, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	<u>Police Education Fund</u>			<u>Street Mainenance Reserve 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>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	
Revenues:												
Intergovernmental	\$ -	\$ -	\$ -	\$ 168,500	\$ 213,816	\$ 45,316	\$ 7,080	\$ -	\$ (7,080)	\$ 175,580	\$ 213,816	\$ 38,236
Fines and forfeitures	<u>2,000</u>	<u>4,322</u>	<u>2,322</u>	-	-	-	-	-	-	<u>2,000</u>	<u>4,322</u>	<u>2,322</u>
Total revenues	<u>2,000</u>	<u>4,322</u>	<u>2,322</u>	<u>168,500</u>	<u>213,816</u>	<u>45,316</u>	<u>7,080</u>	<u>-</u>	<u>(7,080)</u>	<u>177,580</u>	<u>218,138</u>	<u>40,558</u>
Expenditures:												
Current:												
Public safety:												
Police	2,000	-	2,000	-	-	-	-	-	-	2,000	-	2,000
Public works	-	-	-	-	14,845	(14,845)	7,080	-	7,080	7,080	14,845	(7,765)
Capital outlay	-	-	-	<u>168,500</u>	<u>19,432</u>	<u>149,068</u>	-	-	-	<u>168,500</u>	<u>19,432</u>	<u>149,068</u>
Total expenditures	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>168,500</u>	<u>34,277</u>	<u>134,223</u>	<u>7,080</u>	<u>-</u>	<u>7,080</u>	<u>177,580</u>	<u>34,277</u>	<u>143,303</u>
Excess of revenues over expenditures	<u>-</u>	<u>4,322</u>	<u>4,322</u>	<u>-</u>	<u>179,539</u>	<u>179,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,861</u>	<u>183,861</u>
Fund balances, beginning of year	-	-	-	-	-	-	-	-	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ 4,322</u>	<u>\$ 4,322</u>	<u>\$ -</u>	<u>\$ 179,539</u>	<u>\$ 179,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,861</u>	<u>\$ 183,861</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 general-purpose financial statements of the Town of Southwest Ranches, Florida (the Town) as of and for the fiscal year ended September 30, 2001, and have issued our report dated March 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 as items 2001-1, 2001-2 and 2001-3.

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

Honorable Mayor and Town Council
Town Southwest Ranches, Florida

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 as items 2001-1, 2001-2 and 2001-3.

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 2001-1, and 2001-3 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. However, this report is a matter of public record and its distribution is not limited.

Grau & Company

March 12, 2002

**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 accompanying general-purpose financial statements of the Town of Southwest Ranches, Florida (the Town) as of September 30, 2001 and for the fiscal year ended and have issued our report dated March 12, 2002.

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. We have also issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated March 12, 2002, should be considered in conjunction with this management letter.

In connection with our audit of the general purpose financial statements of the Town for the fiscal year ended September 30, 2001, we report the following in accordance with Chapter 10.550 Rules of the Auditor General, *Local Government Entity Audits* which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(g):

1. Recommendations to improve the Town's present financial management and accounting procedures are accompanying this report in the Schedule of Findings.
2. 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 rules, regulations and contractual provisions except as disclosed in the Schedule of Findings
 - b. Made any illegal or improper expenditures except as disclosed in the Schedule of Findings
 - c. Had improper or inadequate accounting procedures except as disclosed in the Schedule of Findings.
 - d. Had other inaccuracies, shortages, defalcations or instances of fraud.

Honorable Mayor and Town Council
Town of Southwest Ranches, Florida

3. 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 blended component unit of the Town, was incorporated under the laws of the State of Florida on January 2, 2001.
4. The Town was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
5. The Town, during the fiscal year ended September 30, 2001, was not in a state of financial emergency as defined by Florida Statute, Section 218.503(1).
6. The annual financial report for the fiscal year ended September 30, 2001 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, 2001.
7. 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 regarding deteriorating financial conditions.

This report is intended solely for the information and use of the Mayor, Town Council, management and the Auditor General of the State of Florida is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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.

Grau & Company

March 12, 2002

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2001

SECTION I - FINANCIAL STATEMENT FINDINGS

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.

Recommendation

We recommend that the Town uses 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.

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.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2001
(CONTINUED)

SECTION I - FINANCIAL STATEMENT FINDINGS (CONTINUED)

NON-COMPLIANCE (CONTINUED)

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.

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 2002.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2001
(CONTINUED)

SECTION I - FINANCIAL STATEMENT FINDINGS (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.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2001
CONTINUED

SECTION I - FINANCIAL STATEMENT FINDINGS (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..

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
SEPTEMBER 30, 2001
CONTINUED

SECTION I - FINANCIAL STATEMENT FINDINGS (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 will implement a comprehensive written program for policies and procedures consistent with applicable laws, ordinances, and other guidelines.

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
SEPTEMBER 30, 2001
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.

2001-8 Investment of Surplus Funds

Condition

We believe that the Town could benefit from depositing its excess cash in the Local Governments Surplus Funds Trust Fund administered by the Florida State Board of Administration or any other type of investments which is allowed under Section 218.45 Statutes. These funds will provide a high level of security, liquidity and a higher rate of return than the current financial institutions being used by the Town.

Recommendation

We recommend that the Town review the benefits of investing its excess cash in the Local Governments Surplus Funds Trust Fund.

Management's Response

The Town will review the benefits of investing its temporary excess cash in the Local Governments Surplus Funds Trust Fund.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2001
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.

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.

Management's Response

The Town will research and test different accounting software to record and maintain all of the Town's funds in the future.

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.

Recommendation

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

Management's Response

The Town will review the use of ATM cards.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2001
CONTINUED

OTHER MATTERS (CONTINUED)

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.

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.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2001
CONTINUED

OTHER MATTERS (CONTINUED)

2001-12 Fixed Assets Inventory and Identification (Continued)

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.