

**Comprehensive
Annual Financial
Report**

**of the
Town of
Southwest Ranches, Florida**

**Fiscal Year Ended
September 30, 2003**



**Prepared by
Town Administrator**

TOWN OF SOUTHWEST RANCHES, FLORIDA

COUNCIL - ADMINISTRATOR FORM OF GOVERNMENT

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL



MECCA FINK
Mayor



ASTER KNIGHT
Vice Mayor



FOREST BLANTON
Council Member



DON MAINES
Council Member



JEFF NELSON
Council Member

TOWN ADMINISTRATION

TOWN ADMINISTRATOR

John Canada

TOWN CLERK

Shari Canada

LAW ENFORCEMENT

Chief Craig Page, BSO

FIRE/RESCUE

Chief Craig Otten, BSO

COMMUNITY DEVELOPMENT

Michele Mellgren

TOWN ATTORNEY

Gary Poliakoff, J.D.

ADMINISTRATION/ FINANCE

Pat Canada

PUBLIC WORKS

Lee Rickles

PARKS

December Lauretano



The Vision and Motto of The Town of Southwest Ranches

“The Vision of the Town of Southwest Ranches is to enhance and preserve the unique rural character of its community. The Town shall promote, maintain and protect its agricultural, residential and equestrian lifestyles sensitive to the natural environment.”

“Preserving Our Rural Lifestyle”

Town of Southwest Ranches, Florida

TOWN OF SOUTHWEST RANCHES, FLORIDA

TABLE OF CONTENTS

	PAGE
I. INTRODUCTORY SECTION	
Letter of Transmittal	i-v
Organizational Chart	vi
II. FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	16
Notes to Financial Statements	17-29
Required Supplementary Information:	
Budgetary Comparison Schedules:	
General Fund	30
Note to Budgetary Comparison Schedule	31
Combining Financial Statements:	
Combining Balance Sheet – Nonmajor-Governmental Funds	32
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor-Governmental Funds	33
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Transportation Reserve – Special Revenue Fund	34
Police Education – Special Revenue Fund	35
Capital Improvement Fund	36

TOWN OF SOUTHWEST RANCHES, FLORIDA

TABLE OF CONTENTS

	PAGE
III. STATISTICAL SECTION	
Government-wide information:	
Government-wide Revenues by Function	37
Government-wide Expenses by Function	38
Fund information:	
General Governmental Expenditures by Function	39
General Governmental Revenues by Source	40
Property Tax Levies and Collections	41
Assessed Value of Taxable Property	42
Property Tax Rates -Direct and Overlapping Governments	43
Special Assessment Billings and Collections	44
Computation of Legal Debt Margin	45
Computation of Direct and Overlapping Debt- General Obligation Debt	46
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt per capita	47
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	48
Principal Taxpayers	49
Property Value, Construction and Bank Deposits	50
Demographic and Miscellaneous Statistics	51
IV. COMPLIANCE SECTION	
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52-53
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	54
Schedule of Findings and Recommendations	55-70

INTRODUCTORY SECTION



Town of Southwest Ranches

John Canada

Town Administrator

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Website: www.southwestranches.org

May 27, 2004

Mayor Mecca Fink
Vice Mayor Aster Knight
Council Member Forest Blanton
Council Member Don Maines
Council Member Jeff Nelson

Dear Mayor, Vice Mayor and Council Members:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Southwest Ranches, Florida, for the fiscal year ended September 30, 2003, pursuant to Section 218.39 of the Florida Statutes and Town Charter. The financial statements included in this report conform to the generally accepted accounting principles in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. The financial statements have been audited by Grau & Company, P. A., Certified Public Accountants. The independent auditor has issued an unqualified opinion that this report fairly represents the financial position of the Town and complies with all reporting standards noted above.

The CAFR is divided into three parts. The Introductory Section provides a summary of the contents of the entire report and general information about the reporting entity. The Financial Section includes the Auditor's Opinion, Management's Discussion and Analysis (MD&A), the Basic Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and the Combining and Individual Fund Financial Statements and Schedules. Other financial information includes budgeting and other statements and schedules provided to supplement required financial data. The Statistical Section includes a number of tables that provide historical, social, economic and financial trend data that offers an overview of the Town's fiscal situation. The contents of the report have been influenced by compliance with GASB pronouncements, including Statement 34 that has required the preparation of new government-wide financial statements on a full accrual basis of accounting for all funds as well as Management's Discussion and Analysis. The MD&A can be found immediately following the independent auditors' report.

The Reporting Entity and Services

The Town was incorporated on June 6, 2000. The Town's current Charter was amended by the citizens on November 9, 2003. The Town operates under the Council-Administrator form of government where four Council members must live in residential districts and are elected at large and one, the Mayor, is elected at large. The Town Council determines the policies that guide the Town's operations. The Town uses a 100% contracts concept for the delivery of all services, including Town Administrator services which implement and administer these policies on a professional basis.

In accordance with GASB 14 entitled "The Financial Reporting Entity", the Town must include in its report any entity over which the Town has ultimate financial accountability. For fiscal year 2003, there are no other entities included in this report other than the Town itself.

Southwest Ranches provides basic level of municipal services including fire, emergency medical services, law enforcement, park and recreation, solid waste collection, permit review, permit management and code compliance. The Town will be the home to many wonderful parks, that are designed to "Preserve Our Rural Lifestyle". The Town has acquired or has under contract 208 acres of land for open space needs. These acres of land were acquired through grants from the County and the State with minimal cost to the residents of the Town. In addition, our approximately 7,203 residents "homestead" on minimum one acre sites. We are horse country and most of the homes in the Town are, indeed, ranches. The Town has no sidewalks, street lights or large developments. For many, the closest neighbors were peacocks, possums, foxes and turtles, to name just a few.

Economic Condition and Outlook

The Town of Southwest Ranches comprises approximately thirteen (13) square miles and is located in the southwest portion of Broward County, a major metropolitan area. The Town is located between the two major urban cities of Pembroke Pines (population 150,000) and Weston (population 65,000). Both of the neighboring cities provide a wealth of attractions and business for use by the residents of the Town. The residents benefit from this close association with the urban neighbors because the Town does not need to provide for these services. The economics of the Town are not focused, at this time, on the development of a commercial or business base. Southwest Ranches is primarily a residential community.

Southwest Ranches, is the newest cities in Broward County. We are expected to reach build out in the Town within the next ten years with a population of 11,000. Based on the 2000 census, the current population is 7,203. Diversity of the Town's is 5,343 of the residents being Caucasian, 220 Black and 1,390 of Hispanic descent. Interestingly, of the 7,203 persons living in Southwest Ranches, the median age being 37.8 with 2,048 under the age of 18 years.

Southwest Ranches has experienced rapid tax base growth since incorporation in 2000. This growth can be tracked through the Town's taxable assessed value and the value of new construction.

Major Initiatives

The Town, through a creative and aggressive grant application plan, has been committed to acquire significant open space and park sites to meet the Town's Comprehensive Plan for parks and preserve open space in support of our rural life style. The challenge of the plan is to acquire these sites with no financial acquisition impact on the residents of the Town. The plan will result in the Town owning over 200 acres of open space and park land within the first four (4) years of incorporation.

Following the acquisition of the open space and park land the Town will need to develop and operate the sites. We will again be committed to provide these services with little to no impact on the Town residents. We have already identified grants, funding partnerships and revenue sources to support the development and maintenance of the sites.

The Town is also focused on providing a new Town Hall. A 5 acre portion of the acquired lands will be dedicated to a Town Hall site. The Town Hall site will be surrounded by open space or park land and be designed to support our rural image. This image was created by Town residents at a visioning session during the development of our Comprehensive Plan. Again we have identified funding partnerships and revenue sources to support this development.

Southwest Ranches ambitious Capital Improvement Plan will provide the infrastructure and facilities for the Town's needs. The focus that support this Plan is based upon no cost to the residents and "Preserving Our Rural Lifestyle"

Financial Information

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

As a recipient of federal, state and local financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

In addition, the Town maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Council. A five-year capital project plan is also provided to Town Council with the current year of the capital plan appropriated by the Town Council, similar to the other funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund.

The Town's accounting system is organized on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds used are generally determined by Town Council upon the recommendation of the Town Administrator establishing accepted accounting policies and procedures as well as the number of funds maintained.

Cash Management

The Town's investment policy is designed to effectively and prudently manage the investment of Town funds while ensuring preservation of principal, maintaining sufficient liquidity and maximizing investment earnings.

Debt Administration

The Town in 2002 entered into a loan agreement with the Florida Municipal Loan Council (FMLC) for \$4,985,000. These proceeds were used for the payoff of outstanding obligations, acquisition of certain parks and recreational land and construction of improvements and recreational facilities. The loan bears interest at fixed rate of 4.99%. All required payments of principal and interest were made during the year. The Town participated in The Florida Municipal Loan Program that is sponsored and administered by the Florida League of Cities, Inc. Small and medium-sized cities receive loans from the FMLC, who in turn issues revenue bonds, backed by the MBIA Insurance Corporation, which resulted in the bonds obtaining an AAA rating by Standard & Poors and Fitch Rating. On November 15, 2001, the FMLC issued \$90,210,000 in revenue bonds, Series 2001A. The Town's portion of the revenue bonds was \$4,985,000.

On September 20, 2002, the Town entered into a loan agreement for the issuance of a \$2,000,000 note with the Community Bank of Broward, for the acquisition of land. The note requires payments of interest only for the first two (2) years of the loan. The principal of the Note is due on September 20, 2004 with an initial interest rate of 5%. During 2003 and 2004 the Town applied for and was awarded grants to reimburse the Town for the total issuance cost of the note. These grants were from the Broward County Land Preservation Bond Issue and from the Florida Community Trust (FCT).

Independent Audit

In accordance with Florida Statutes Section 218.39, the Town has engaged the firm of Grau & Company, P.A., to perform the independent audit of the Town's financial statements. The Independent Certified Public Accountant's report is included in the financial section of this Comprehensive Annual Financial Report.

Awards

This year, the Town has applied for the Certificate of Achievement for Excellence in Financial Reporting awarded by the Governmental Finance Officers Association of the United States and Canada (GFOA) for the Town's first ever Comprehensive Annual Financial Report. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report conforms to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate.

Acknowledgments

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

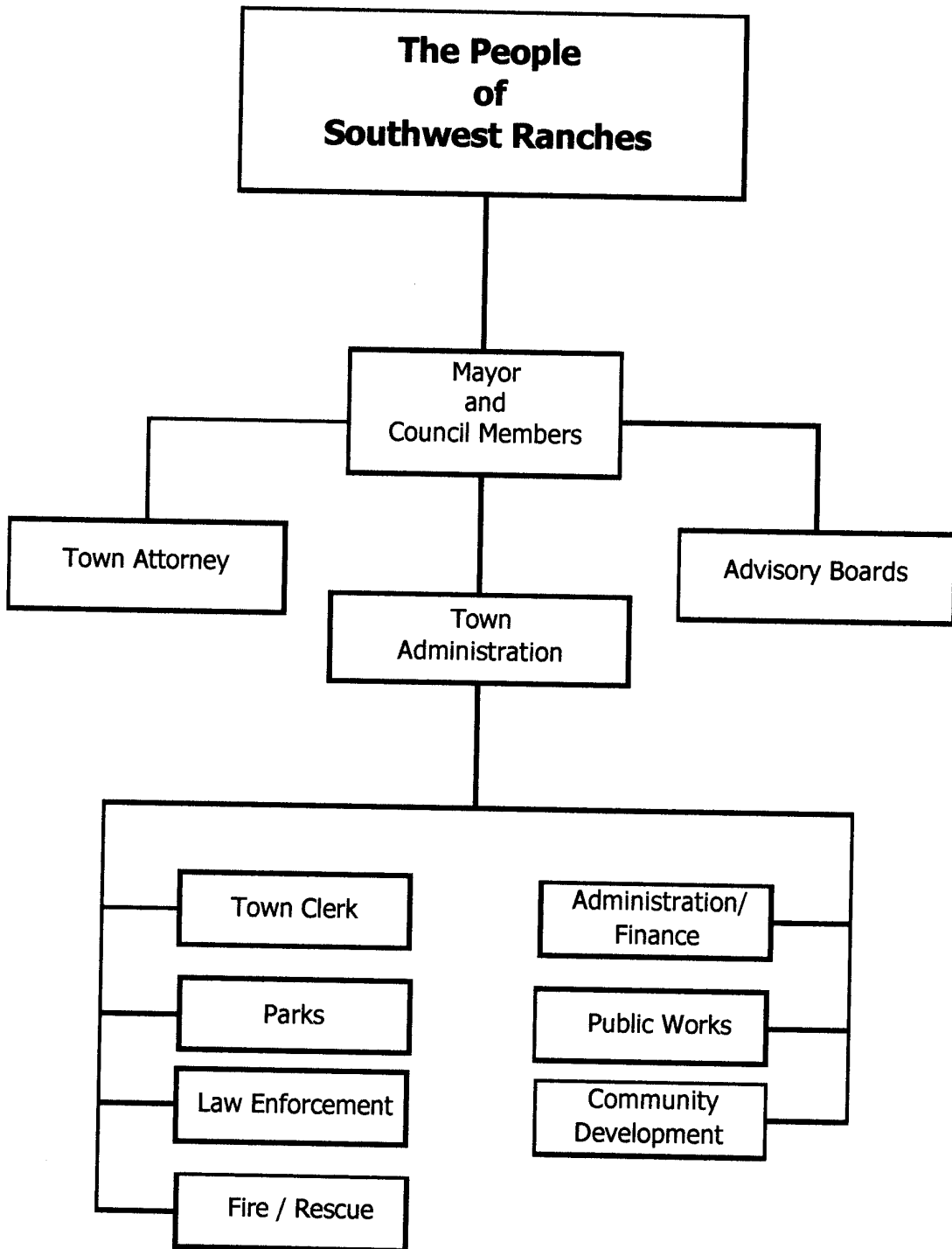
Respectfully submitted,



John Canada
Town Administrator

TOWN OF SOUTHWEST RANCHES

ORGANIZATIONAL CHART



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Vice Mayor, Town Commissioners and Town Manager
Town of Southwest Ranches, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Southwest Ranches, Florida (the Town) as of and for the fiscal year then ended September 30, 2003, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

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 opinions.

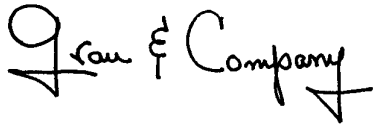
In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Southwest Ranches, Florida as of September 30, 2003, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 5, 2004 on our consideration of the Town's internal control over financial reporting and our tests of compliance with certain laws, regulations, grants and contracts. 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.

Management's Discussion and Analysis and the Required Supplementary Information identified in the table of contents, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor, Vice Mayor, Town Commissioners and Town Manager
Town of Southwest Ranches, Florida
Page 2

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 financial statements are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The information shown in the introductory and statistical section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



March 5, 2004

MANAGEMENT DISCUSSION & ANALYSIS
(M D & A)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Southwest Ranches, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for fiscal year ended September 30, 2003. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, the Town's financial statements and the other required supplemental information.

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. The information contained within this section should be considered only as a part of a greater whole.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Southwest Ranches exceeded its liabilities at the close of the most recent fiscal year by \$8,372,778 (net assets). Of this amount, \$4,465,382 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$3,818,860 during the current fiscal year. The Town's net assets increased as a result of this year's operations.
- During the year, the Town had expenses that were \$3,818,860 less than the \$8,402,227 generated in tax and other revenues for governmental programs. This is similar to last year, when revenues exceeded expenses by \$3,482,518
- Total cost of all of the Town's programs increased by approximately \$646,000, or 16 percent with no new major programs added this year.
- The General Fund's fund balance increased by \$589,809 for the year ended September 30, 2003.
- At the end of the current year, unreserved fund balance for the General Fund was \$2,349,106 or 52 percent of total general fund expenditures. Of this amount, \$1,200,000 is *designated* for contingencies.
- The Town's total debt decreased by approximately \$93,000 or one percent with no debt issued during the fiscal year.

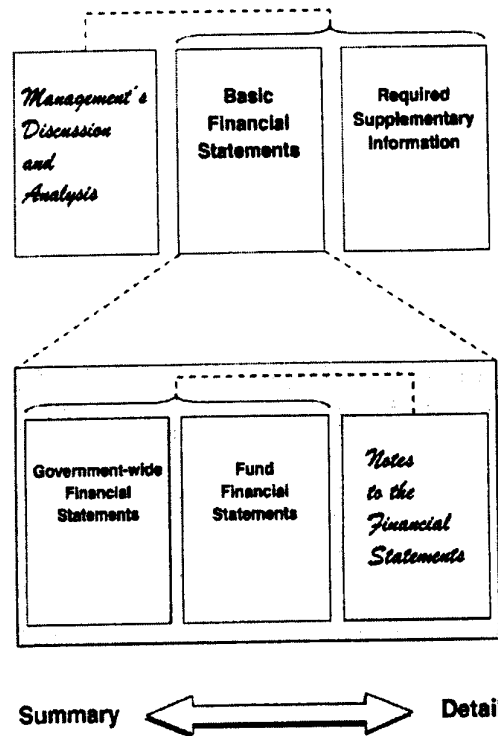
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and an additional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Town:

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

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another. In addition to these required elements, we have included a section with combining statements that provides details about our nonmajor governmental funds, each of which is added together and presented in single columns in the basic financial statements.

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



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 of Southwest Ranches is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes 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 government activities of the Town of Southwest Ranches include fire and rescue, police services, public works, parks and recreation, code compliance, planning and zoning, economic development and general administration services. The Town does not have any business-type activities.

The government-wide financial statements can be found on pages 11 to 12 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 of Southwest Ranches, 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 of Southwest Ranches are governmental funds.

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

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

The Town of Southwest Ranches maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Improvement Fund, which are considered to be major funds. Data from the other 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. Budgetary comparison statements have been provided for the General Fund, Capital Improvement Fund and the nonmajor funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 13 to 16 of this report.

Notes to the 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 17 to 29 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on beginning on pages 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

The Town's net assets were increased to \$8,372,778 between fiscal years 2002 and 2003—(see Table 1). However, a large portion of the net assets (47 percent) is restricted as to the purpose they can be used for or are invested in capital assets (land, buildings, streets, sidewalks, and equipment). 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.

**Table 1
Town of Southwest Ranches' Net Assets**

	Governmental Activities		Total Percentage
	2002	2003	Change 2002-2003
Current and other assets	\$ 2,656,384	\$ 5,236,888	97%
Capital assets	9,188,592	10,486,860	14%
Total assets	11,844,976	15,723,748	33%
Long-term debt outstanding	7,175,576	7,072,408	(2)%
Other liabilities	115,482	278,562	133%
Total liabilities	7,291,058	7,350,970	1%
Net assets			
Invested in capital assets, Net of related debt	3,433,636	3,515,277	3%
Restricted	240,357	392,119	63%
Unrestricted	879,925	4,465,382	408%
Total net assets	\$ 4,553,918	\$ 8,372,778	84%

An additional portion of the Town's net assets (\$3,907,396 or 47 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$4,465,382) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Southwest Ranches is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Consequently, unrestricted net assets of governmental activities showed a \$3,818,860 increase at the end of the fiscal year. In addition, the increase in unrestricted governmental net assets resulted from \$3,125,694 of capital grants received during the year.

The Town's total revenues increased by 13 percent to \$8,402,227 (see Table 2). Over 37% of the Town's revenues come from capital grants, 23% comes from property taxes, and 17% from fees charged for services.

Summary of Changes in net assets. The following information is presented to assist the reader in understanding the different types of normal impacts that can affect revenues:

- 1) **Economic condition** can reflect a declining, stable or growing environment and has a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits for building permits, user fees and consumption.
- 2) The Town Commission has significant authority to set **increases or decreases in Town's millage rates** and user fees.
- 3) **Changing patterns in intergovernmental and grant revenues** (both recurring and non-recurring) can significantly change and impact the annual comparisons.
- 4) **Market impacts on investment income** may cause investment revenues to fluctuate from the prior year.

Some other basic impacts on expenses are reflected below:

- 1) **Introduction of new programs** can have a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits for building permits, user fees and consumption.
- 2) **Changes in service demand levels** can cause the Town to increase or decrease authorized staffing.

The Town's expenses cover a range of services, with 44% related to public safety

Governmental Activities

Revenues for the Town's governmental activities increased 13 percent (from \$7,419,604 to \$8,402,227), while the expenses increased 16 percent (\$3,937,086 to \$4,583,367). The increase in net assets for governmental activities was expanded to \$3,818,860 in 2003. This compares to a \$3,482,518 increase in 2002.

The following functional activities that had expense increases compared to last fiscal year was public works (increased by \$433,830) as a result of a new solid waste contract.

**Table 2
Changes in Town of Southwest Ranches' Net Assets**

	Governmental Activities		Total Percentage Change
	2002	2003	2002-2003
Revenues			
Program revenues			
Charges for services	\$ 795,479	\$ 1,462,312	84%
Capital grants and contributions	2,977,772	3,125,694	5%
General revenues			
Property taxes	1,801,116	1,956,415	9%
Other taxes	971,790	1,048,970	8%
Intergovernmental	768,905	665,240	(13)%
Investment income	104,542	143,596	37%
Total revenues	7,419,604	8,402,227	13%
Expenses			
General government	877,242	851,279	(3)%
Public safety	1,947,075	2,024,690	4%
Community development	687,405	767,903	12%
Parks and recreation	2,959	-	(100)%
Public works	135,620	569,450	320%
Non-departmental	28,131	40,699	45%
Interest on long-debt	258,654	329,346	27%
Total expenses	3,937,086	4,583,367	16%
Increase (decrease) in net assets	\$3,482,518	\$3,818,860	10%

The Town's management took major actions this year to maintain current revenues and to control expenses:

In fiscal year 2003, the Town did not have a millage rate increase. Most of the Town's revenue sources were close to or slightly below the final budget estimates, except for the capital improvement fund. Charges for services and public works increased due to the new solid waste pick up service provided by the Town and the charges and costs related to the service. The Town's total expenditures were less than budgeted mainly due to unused departmental expenditures and on going capital projects. The total cost of all programs and services increased by \$646,281 or 16 percent (see Table 2).

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported combined fund balances of \$4,912,201, or an increase of \$2,419,603 compared to last year's combined fund balances of \$2,492,598. Included in this year's total change in fund balances is a \$589,890 excess of revenues over expenditures in the Town's General Fund and a \$1,891,032 excess of revenues over expenditures in the Capital Improvement Fund. The primary reasons for the General Fund's excess mirror those highlighted in the analysis of governmental activities above. The primary reason for the Capital Improvement Fund's excess was the receipt of a \$2,000,000 grant reimbursement. In addition, these other changes in fund balances should be noted:

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not substantial (\$135,000 increase in appropriations) and were due to additional unanticipated expenditures, which were funded with available fund balance.

Capital Assets

As of September 30, 2003, the Town's investment in capital assets amounted to \$10,486,860 (net of accumulated depreciation). The increase in capital assets during the year was due to continued construction of the Equestrian Park net of depreciation expenses.

TOWN OF SOUTHWEST RANCHES' Capital Assets

<u>Governmental activities:</u>	Balance October 1, 2002	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2003
Capital assets, not being depreciated:				
Land	\$ 8,054,896	\$ 47,390	\$ -	\$ 8,102,286
Construction in progress	<u>1,015,023</u>	<u>998,456</u>	<u>-</u>	<u>2,013,479</u>
Total capital assets, not being depreciated	<u>9,069,919</u>	<u>1,045,846</u>	<u>-</u>	<u>10,115,765</u>
Capital assets, being depreciated:				
Furniture and equipment	53,001	29,147	-	82,418
Leasehold improvements	83,130	17,278	-	100,408
Improvements other than building	-	147,586	-	147,586
Infrastructure	<u>-</u>	<u>99,774</u>	<u>-</u>	<u>99,774</u>
Total capital assets, being depreciated	<u>136,131</u>	<u>294,025</u>	<u>-</u>	<u>430,156</u>
Less accumulated depreciation for:				
Furniture and equipment	(9,145)	(11,691)	-	(20,836)
Leasehold improvements	(8,313)	(18,354)	-	(26,667)
Improvements other than building	-	(7,379)	-	(7,379)
Infrastructure	<u>-</u>	<u>(4,179)</u>	<u>-</u>	<u>(4,179)</u>
Total accumulated depreciation	<u>(17,458)</u>	<u>(41,603)</u>	<u>-</u>	<u>(59,061)</u>
Total capital assets, being depreciated, Net	<u>\$ 9,188,592</u>	<u>\$ 1,298,268</u>	<u>\$ -</u>	<u>\$ 10,486,860</u>

Additional information on the Town's capital assets can be found in note 3 pages 23-24 of this report.

Long-term Debt

At the end of the current fiscal year, the Town had total long-term debt outstanding of \$6,971,583 or \$6,895,000, net of unamortized premium and issuance costs of \$76,583. The debt is secured by pledged revenue sources of the Town.

TOWN OF SOUTHWEST RANCHES' Outstanding Debt

	Balance October 1, 2002	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2003
Notes payable	<u>\$7,065,201</u>	<u>\$ -</u>	<u>\$93,618</u>	<u>\$6,971,583</u>

Decreased in long term debt was due to principal payments and amortization of debt costs.

Additional information on the Town's long-term debt can be found in note 7 pages 25-26 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 2004 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$2,349,106. The Town has appropriated this amount for spending in the 2004 fiscal year budget. It is intended that the use of available fund balance will avoid the need to raise taxes or charges during the 2004 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.

BASIC FINANCIAL STATEMENTS

TOWN OF SOUTHWEST RANCHES, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2003

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 3,149,698
Accounts receivable - net	1,513,121
Deposit	35,000
Restricted investments	492,944
Deferred charges	46,125
Capital assets (net of accumulated depreciation):	
Land	8,102,286
Construction in progress	2,013,479
Improvements other than buildings	140,207
Leasehold improvements	73,741
Furniture and equipment	61,582
Infrastructure	<u>95,565</u>
Total assets	<u>15,723,748</u>
<u>LIABILITIES</u>	
Accounts payable	278,562
Noncurrent liabilities:	
Restricted accrued interest payable	100,825
Due within one year	80,000
Due in more than one year	<u>6,891,583</u>
Total liabilities	<u>7,350,970</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	3,515,277
Restricted for capital projects	392,119
Unrestricted	<u>4,465,382</u>
Total net assets	<u>\$ 8,372,778</u>

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, 2003

<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>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
General government	\$ 749,888	\$ -	\$ -	\$ (749,888)
Public safety	2,024,690	499,817	-	(1,524,873)
Community development	767,903	234,345	-	(533,558)
Parks and recreation	-	-	3,125,694	3,125,694
Public works	656,611	728,150	-	71,539
Non-departmental	54,929	-	-	(54,929)
Interest on long-term debt	329,346	-	-	(329,346)
Total primary government	<u>\$ 4,583,367</u>	<u>\$ 1,462,312</u>	<u>\$ 3,125,694</u>	<u>4,639</u>
General revenues:				
Property taxes				1,956,415
Utility taxes				657,677
Franchise taxes				391,293
Intergovernmental				665,240
Investment income and miscellaneous				143,596
Total general revenues				<u>3,814,221</u>
Change in net assets				3,818,860
Net assets, beginning				<u>4,553,918</u>
Net assets, ending				<u>\$ 8,372,778</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2003

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,149,698	\$ -	\$ -	\$ 3,149,698
Accounts receivable - net	171,820	1,329,118	12,183	1,513,121
Due from other funds	-	536,914	166,936	703,850
Restricted investments	492,944	-	-	492,944
Deposit	10,000	25,000	-	35,000
Total assets	<u>\$ 3,824,462</u>	<u>\$ 1,891,032</u>	<u>\$ 179,119</u>	<u>\$ 5,894,613</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 278,562	\$ -	\$ -	\$ 278,562
Due to other funds	703,850	-	-	703,850
Total liabilities	<u>982,412</u>	<u>-</u>	<u>-</u>	<u>982,412</u>
Fund balance:				
Designated for contingencies	1,200,000	-	-	1,200,000
Reserved for capital projects	492,944	1,891,032	-	2,383,976
Reserved for roadway improvements	-	-	172,797	172,797
Reserved for public safety	-	-	6,322	6,322
Unreserved and undesignated	1,149,106	-	-	1,149,106
Total fund balances	<u>2,842,050</u>	<u>1,891,032</u>	<u>179,119</u>	<u>4,912,201</u>
Total liabilities and fund balances	<u>\$ 3,824,462</u>	<u>\$ 1,891,032</u>	<u>\$ 179,119</u>	<u>\$ 5,894,613</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

Fund balances - total government funds (Page 13)	\$ 4,912,201
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental capital assets	10,545,921
Less accumulated depreciation	(59,061)
Bond interest payable not reported in the governmental funds	(100,825)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	46,125
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Governmental bonds payable	<u>(6,971,583)</u>
Net assets of governmental activities (Page 11)	<u>\$ 8,372,778</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, 2003

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Ad valorem taxes	\$ 1,956,415	\$ -	\$ -	\$ 1,956,415
Special assessments	1,190,746	-	-	1,190,746
Utility taxes	657,677	-	-	657,677
Franchise fees	391,293	-	-	391,293
Licenses and permits	234,345	-	-	234,345
Intergovernmental	488,901	-	176,339	665,240
Fines and forfeitures	37,221	-	-	37,221
Grants	3,337	3,122,357	-	3,125,694
Interest	84,326	-	-	84,326
Other	59,270	-	-	59,270
Total revenues	<u>5,103,531</u>	<u>3,122,357</u>	<u>176,339</u>	<u>8,402,227</u>
Expenditures:				
Current:				
General government:				
Town Council	42,348	-	-	42,348
Town administration	467,978	-	-	467,978
Town attorney	202,138	-	-	202,138
Total general government	<u>712,464</u>	<u>-</u>	<u>-</u>	<u>712,464</u>
Public Safety:				
Police	1,075,000	-	-	1,075,000
Fire	949,690	-	-	949,690
Total public safety	<u>2,024,690</u>	<u>-</u>	<u>-</u>	<u>2,024,690</u>
Community development	767,903	-	-	767,903
Public works	503,297	-	111,668	614,965
Non-departmental	54,929	-	-	54,929
Debt service:				
Principal	90,000	-	-	90,000
Interest	340,335	-	-	340,335
Total debt service	<u>430,335</u>	<u>-</u>	<u>-</u>	<u>430,335</u>
Capital outlay	20,104	1,231,325	125,909	1,377,338
Total expenditures	<u>4,513,722</u>	<u>1,231,325</u>	<u>237,577</u>	<u>5,982,624</u>
(Deficiency) excess of revenues over expenditures	<u>589,809</u>	<u>1,891,032</u>	<u>(61,238)</u>	<u>2,419,603</u>
Fund balances, beginning of year	<u>2,252,241</u>	<u>-</u>	<u>240,357</u>	<u>2,492,598</u>
Fund balances, end of year	<u>\$ 2,842,050</u>	<u>\$ 1,891,032</u>	<u>\$ 179,119</u>	<u>\$ 4,912,201</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, 2003

Amounts reported for governmental activities in the statement of activities (Page 12) are different because:

Net change in fund balances - total government funds (Page 15)	\$	2,419,603
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital outlays	\$ 1,339,871	
Less current year depreciation	<u>(41,603)</u>	1,298,268

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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.

<u>LONG TERM DEBT</u>		
Principal payments	<u>90,000</u>	90,000

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are normally not paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Accrued interest on long term debt	9,550	
Amortization of re-offering premium	4,989	
Amortization of underwriters discount	(1,371)	
Amortization of bond issuance costs	<u>(2,179)</u>	<u>10,989</u>

Change in net assets of governmental activities (Page 12)	\$	<u>3,818,860</u>
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The accompanying notes are an integral part of the financial statements.



**NOTES TO BASIC
FINANCIAL STATEMENTS**

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

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 (GAAP) as applicable to governments. In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement #34 "Basic Financial Statements and Management Discussion and Analysis for the State and Local Governments". This statement provides for significant changes in financial reporting. The Town early implemented the new financial reporting requirements of GASB Statement No. 34 during 2002. As a result, an entirely new financial presentation format has been implemented. The more significant of the Town's accounting policies are described below.

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 no organization that met the criteria described above.

b. *Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

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

b. Government-wide and Fund Financial Statements (Continued)

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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 to be 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, sales taxes, utility 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 government.

The Town reports the following major governmental funds:

The **general fund** is the government'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 **capital projects fund** accounts for the acquisition of equipment and construction of major capital projects not being financed by proprietary funds.

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

c. ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, whose purpose has not been restricted to a specific program.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then, unrestricted resources as they are needed.

d. ***Deposits and Investments***

The Town maintains a pooled cash account for all funds. This enables the Town to invest large amounts of idle cash for short periods of time and to optimize earnings potential. Equity in pooled cash and cash equivalents represents the amount owned by each fund of the Town. Interest earned on pooled cash is allocated monthly based upon equity balances of the respective funds.

The Town's investments are reported at fair value. The Town's investment in the State Board of Administration Investment Pool (2A-7 pool) is reported at its fair value of its position in the pool, which is the same as its value of the pool shares.

In addition, GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools", requires disclosure of investments at fair value and recognition of unrealized gain or losses, if material, for investments with remaining maturities of more than one year at the time of purchase. Investments with remaining maturities of one year or less at the time of purchase are recorded at amortized cost. The Town calculated the unrealized gain or loss for investments with remaining maturities of more than one year at the time of purchase and determined that the amount of unrealized loss is immaterial for the fiscal year ended September 30, 2003.

e. ***Receivables and Payables***

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

Revenues and the associated receivable balances are accrued for taxes, franchise fees, and other utility services based on collections within 60 days of year-end.

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

f. *Ad Valorem Taxes*

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the Town by Broward County on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Broward County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the Town. Procedures for the collection of delinquent taxes by Broward County are provided for in the Laws of Florida. There were no material delinquent property taxes at September 30, 2003.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town Commission and the Broward County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2003 was 3.000 mills (\$3.000 per \$1,000 of taxable assessed valuation).

g. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, culverts, light poles, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$750 for equipment 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. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as they are completed.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

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

g. Capital Assets (Continued)

<u>Assets</u>	<u>Years</u>
Furniture and equipment	5 - 10
Leasehold improvements	5 - 10
Improvements other than buildings	10 - 20
Infrastructure	35 - 40

h. 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.

i. 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.

j. 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.

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

k. 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. **DEPOSITS AND INVESTMENTS**

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires every qualified public depository to deposit with the Treasurer eligible collateral. Statutes provide that if a loss to public depository is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment levied against other public depositories of the same type as the depository in default.

Investments

Town administration follows the requirements of Section 218.415 (17) of Florida Statutes whereby it is authorized to invest in those instruments authorized by the Florida Statutes including the Local Government Surplus Trust Fund administered by the State Board of Administration (the Board). The Local Government Surplus Funds Trust Fund is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission; however, the Board has adopted operating procedures consistent with the requirements for a 2A-7 fund which are similar to money market funds.

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

Accordingly, all Town deposits are Category 1 credit risk as defined by GASB Statement No. 3, which are insured or collateralized with securities held by the Town or by its agent in the Town's name.

- | | |
|------------|---|
| 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. |

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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:

Investments not subject to categorization:	
State Board of Administration Investment Pool	<u>\$ 492,944</u>
Per combined balance sheet:	
Cash and cash equivalents	\$ 3,149,698
Restricted cash and cash equivalents	<u>492,944</u>
	<u>\$ 3,642,642</u>
By category:	
Deposits	\$ 3,149,698
Investments	<u>492,944</u>
	<u>\$ 3,642,642</u>

Investments in the State Board of Administration are not categorized.

3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2003 was as follows:

<u>Governmental activities:</u>	Balance October 1, 2002	Additions	Deletions	Balance September 30, 2003
Capital assets, not being depreciated:				
Land	\$ 8,054,896	\$ 47,390	\$ -	\$ 8,102,286
Construction in progress	<u>1,015,023</u>	<u>998,456</u>	-	<u>2,013,479</u>
Total capital assets, not being depreciated	<u>9,069,919</u>	<u>1,045,846</u>	-	<u>10,115,765</u>
Capital assets, being depreciated:				
Furniture and equipment	53,001	29,147	-	82,418
Leasehold improvements	83,130	17,278	-	100,408
Improvements other than building	-	147,586	-	147,586
Infrastructure	-	<u>99,774</u>	-	<u>99,774</u>
Total capital assets, being depreciated	<u>136,131</u>	<u>294,025</u>	-	<u>430,156</u>
Less accumulated depreciation for:				
Furniture and equipment	(9,145)	(11,691)	-	(20,836)
Leasehold improvements	(8,313)	(18,354)	-	(26,667)
Improvements other than building	-	(7,379)	-	(7,379)
Infrastructure	-	<u>(4,179)</u>	-	<u>(4,179)</u>
Total accumulated depreciation	<u>(17,458)</u>	<u>(41,603)</u>	-	<u>(59,061)</u>
Total capital assets, being depreciated, Net	<u>\$ 9,188,592</u>	<u>\$ 1,298,268</u>	\$ -	<u>\$ 10,486,860</u>

3. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the Town as follows:

General government	\$ 37,424
Public Works	<u>4,179</u>
	<u>\$ 41,603</u>

Construction Commitments

The Town has outstanding construction commitments as of September 30, 2003 as follows:

Equestrian Park	\$ 682,770
Griffin and Flamingo Park Intersection	<u>35,000</u>
Total	<u>\$ 717,770</u>

4. RECEIVABLES AND PAYABLES

Receivables at September 30, 2003, were as follows:

	<u>Grants</u>	<u>Taxes</u>	<u>Special Assessment</u>	<u>Other</u>	<u>Total</u>
Governmental Activities					
General	\$ -	\$ 129,033	\$ 14,374	\$ 28,413	\$ 171,820
Capital Improvement Fund	1,329,118	-	-	-	1,329,718
Non-major Governmental	-	12,183	-	-	12,183
Total government activities	<u>\$ 1,329,118</u>	<u>\$ 141,216</u>	<u>\$ 14,374</u>	<u>\$ 28,413</u>	<u>\$ 1,513,121</u>

Payables at September 30, 2003, were as follows:

	<u>Vendors</u>
Governmental Activities:	
General Fund	<u>\$ 278,562</u>

5. INTERFUND BALANCES

Interfund balances at September 30, 2003 consisted of the following:

<u>Due From</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General Fund	\$ 536,914	\$ 166,936	\$ 703,850

The balances of \$703,850 due from the General Fund resulted from loans from the Capital Improvement Fund of \$536,914, the Transportation Reserve Fund of \$160,614 and the Police Education Fund of \$6,322. These interfund balances resulted from the time lag between payment of expenditures and when revenues or reimbursements are received.

6. RESTRICTED ASSETS

Restricted assets and the related reservations of fund balance of the General Fund consists of \$492,944 investments in the State Treasurer's Investment Pool at September 30, 2003. These amounts relate to the loan received from the Florida Municipal Loan Council and can only be expended on the approved projects.

7. LONG-TERM DEBT

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 on November of each fiscal year commencing on November 1, 2002 through May 1, 2025. The interest rate at September 30, 2003 was 3.25%. 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. During 2003 the Town was in compliance with this covenant.

The annual requirements to pay principal and interest on this obligation as of September 30, 2003 are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	95,000	226,000	321,000
2009-2013	550,000	1,053,000	1,603,000
2014-2018	705,000	893,000	1,598,000
2019-2023	905,000	689,000	1,594,000
2024-2028	1,155,000	436,000	1,591,000
2029-2032	<u>1,145,000</u>	<u>118,000</u>	<u>1,263,000</u>
	<u>\$ 4,985,000</u>	<u>\$ 4,358,000</u>	<u>\$ 9,253,000</u>

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 interest rate at September 30, 2003 was 4.25%. The Note is secured by and payable from a lien upon and pledge of the franchise fees received from Florida

7. LONG-TERM DEBT (CONTINUED)

Florida Municipal Loan Council (Continued)

Power & Light Company and Comcast Cablevision of Broward County, Inc., and 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, 2003, the Town was in violation of one of its covenants (See Schedule of Findings and Recommendations 2003-3). The note has an outstanding balance of \$2,000,000 as of September 30, 2003.

The annual requirements to pay principal and interest on this obligation as of September 30, 2003 are as follows:

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

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

	<u>Balance October 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2003</u>	<u>Due Within One Year</u>
Notes payable	\$ 6,985,000	\$ -	\$ 90,000	\$ 6,895,000	\$ 80,000
Add reoffering premium	110,594	-	(4,989)	105,605	-
Less underwriters discount	(30,393)	-	(1,371)	(29,022)	-
	<u>\$ 7,065,201</u>	<u>\$ -</u>	<u>\$ 93,618</u>	<u>\$ 6,971,583</u>	<u>\$ 80,000</u>

8. 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 each of the past three years.

9. COMMITMENTS AND CONTINGENCIES

Agreement with Broward County for Local Police Patrol Services

Effective October 1, 2000, the Town entered into a year to year agreement with the Broward County Sheriff's Office (BSO) for local police patrol services. The Town paid \$1,075,000 for police services under this contract for the fiscal year ended September 30, 2003.

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

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

Interlocal Agreement with the Town of Davie for Delivery of Emergency Medical and Fire Protection Services (Continued)

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 \$368,440 under this contract for the fiscal year ended September 30, 2003. Subsequent to year-end the agreement was renewed for an additional one-year term at a cost of \$371,425.

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 \$551,250 under this contract for the fiscal year ended September 30, 2003. Subsequent to year end the agreement was renewed for an additional one-year term at a cost of \$575,000.

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 during fiscal year 2002 with a value of approximately \$1,994,000. The County has obtained approximately \$1,069,581 in grants as of September 30, 2003 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 has reimbursement requests outstanding as of September 30, 2003 totaling \$629,581 under this interlocal agreement. The grant receivable has been recorded as restricted funds since the expenditures were initially paid with FMLC loan proceeds and are required to be used for the development of the Equestrian Park.

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.

9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreement Between Broward County and the Town of Southwest Ranches for Broward County Challenge Grant Programs (Continued)

The Town has reimbursement requests outstanding as of September 30, 2003 of approximately \$499,537 under these agreements. The grant receivable has been recorded as restricted funds since the expenditures were initially paid with FMLC loan proceeds and are required to be used for the development of the Equestrian Park.

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. The Town received the \$2,000,000 reimbursement during 2003.

Agreement for Code Compliance Services

Effective March 1, 2003, the Town entered into a service agreement for the provision of code compliance services. The company will provide code compliance services and act as the Code Compliance Official of the Town. The term of the agreement is for a period of thirty six (36) months, with extensions approved by the Town and the company. The services will be provided for an annual fee of \$70,000 with annual fee increases of five percent (5%).

Grant Consulting Agreements

On February 13, 2003, the Town entered into two agreements with a consultant for grant writing and other grant related consulting services. Total compensation for these services amount to \$78,000 for 2003, \$87,500 for 2004 and \$87,500 for 2005.

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 two years as follows:

September 30,

2004	\$ 362,000
2005	<u>378,000</u>
Total	<u>\$ 740,000</u>

9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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. Subsequent to year end, on October 1, 2003, the lessee exercised the option and the Town entered into a new lease agreement for a three year period ending September 30, 2006. Rental for the first year of the agreement is \$31,500 and increases \$1,500 for each of the next three years. The lessee has the option to extend the lease for two additional years, each with incremental increases in rent.

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.

10. SUBSEQUENT EVENTS

Florida Local Government Finance Commission Pooled Commercial Paper Loan Program

On January 6, 2004, the Town executed two loan agreements with the Florida Local Government Finance Commission (FLGFC) under the FLGFC Pooled Commercial Paper Loan Program. The Town may borrow up to \$13,000,000 under the loan agreements in order to finance and reimburse the Town for the acquisition of certain real property within the Town. The first loan of \$3,000,000 is secured with a covenant to budget and appropriate legally available non-ad valorem revenues as provided in the loan agreements and proceeds to be received from the sale of certain real property. The second loan of \$10,000,000 is secured with certain grant moneys as provided in the loan agreement.

Also, on January 6, 2004, the Town borrowed \$7,735,000 of the available \$13,000,000 FLGFC loan for the purchase of certain property located within the Town. The total purchase price of the property was \$7,774,058.

Grants

Subsequent to year end, the Town was awarded several grants by the Florida Community Trust (FCT) for various Town projects totaling approximately \$6,000,000.



**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN (M D & A)**

TOWN OF SOUTHWEST RANCHES, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 1,889,800	\$ 1,889,800	\$ 1,956,415	\$ 66,615
Special assessments	1,020,000	1,020,000	1,190,746	170,746
Utility taxes	585,000	585,000	657,677	72,677
Franchise fees	320,000	320,000	391,293	71,293
Licenses and permits	305,000	305,000	234,345	(70,655)
Intergovernmental	545,000	545,000	488,901	(56,099)
Fines and forfeitures	15,000	15,000	37,221	22,221
Grants	-	-	3,337	3,337
Interest	16,000	16,000	84,326	68,326
Other	33,000	168,000	59,270	(108,730)
Total revenues	<u>4,728,800</u>	<u>4,863,800</u>	<u>5,103,531</u>	<u>239,731</u>
Expenditures:				
Current:				
General government:				
Town Council	44,200	52,200	42,348	9,852
Town administration	483,490	484,490	488,082	(3,592)
Town attorney	200,000	200,000	202,138	(2,138)
Total general government	<u>727,690</u>	<u>736,690</u>	<u>732,568</u>	<u>4,122</u>
Public Safety:				
Police	1,075,000	1,075,000	1,075,000	-
Fire	976,310	976,310	949,690	26,620
Total public safety	<u>2,051,310</u>	<u>2,051,310</u>	<u>2,024,690</u>	<u>26,620</u>
Community development	520,000	743,000	767,903	(24,903)
Parks and recreation	100,000	38,000	-	38,000
Public works	675,000	550,000	503,297	46,703
Non-departmental	1,815,000	1,905,000	485,264	1,419,736
Total expenditures	<u>5,889,000</u>	<u>6,024,000</u>	<u>4,513,722</u>	<u>1,510,278</u>
(Deficiency) excess of revenues over expenditures	<u>(1,160,200)</u>	<u>(1,160,200)</u>	<u>589,809</u>	<u>1,750,009</u>
Other financing sources (uses):				
Prior year's fund balance	<u>1,160,200</u>	<u>1,160,200</u>	<u>-</u>	<u>(1,160,200)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>589,809</u>	<u>589,809</u>
Fund balances, beginning of year	<u>2,252,241</u>	<u>2,252,241</u>	<u>2,252,241</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,252,241</u>	<u>\$ 2,252,241</u>	<u>\$ 2,842,050</u>	<u>\$ 589,809</u>

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BUDGETARY SCHEDULE
SEPTEMBER 30, 2003

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

a. Budgets and Budgetary Accounting

The following procedures are used to establish the budgetary data reflected in the financial statements:

- 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 Fund, the Special Revenue Fund and Capital Project 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, except for the Capital Improvement Fund. Unencumbered appropriations lapse at fiscal year end.

The Town Council may by ordinance make supplemental appropriations during the fiscal year. Supplemental appropriations totaled approximately \$2,746,724 during fiscal year ended September

b. Excess of Expenditures over Appropriations

Expenditures exceeded the budget in the General Fund for the fiscal year ended September 30, 2003 at the following department level, which is the legally controlled level of appropriations:

	<u>Final Budget</u>	<u>Actual</u>	<u>Amount in Excess of Final Budget</u>
General Government:			
Town Administration	\$ 484,490	\$ 488,082	\$ 3,592
City Attorney	200,000	202,138	2,138
Community Development	743,000	767,903	24,903

COMBINING FINANCIAL STATEMENTS

NON MAJOR GOVERNMENT FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation. The City's special revenue funds and their purposes are:

Police Education Fund- Accounts for revenues associated with the amounts received for each traffic citation within the Town. These funds can only be used to further the education of the law enforcement Officers under contract.

Transportation Reserve- A portion of a local option gas taxes to use for roadway improvements.

TOWN OF SOUTHWEST RANCHES, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Police Education Fund	Transportation Reserve Fund	Totals
Revenues:			
Intergovernmental	\$ -	\$ 176,339	\$ 176,339
Expenditures:			
Current:			
Public works	-	237,577	237,577
Excess of revenues over expenditures	-	(61,238)	(61,238)
Fund balances, beginning of year	6,322	234,035	240,357
Fund balances, end of year	\$ 6,322	\$ 172,797	\$ 179,119

TOWN OF SOUTHWEST RANCHES, FLORIDA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUND
SEPTEMBER 30, 2003

<u>ASSETS</u>	Police Education <u>Fund</u>	Transportation <u>Reserve Fund</u>	<u>Totals</u>
Accounts receivable - net	\$ -	\$ 12,183	\$ 12,183
Due from other funds	<u>6,322</u>	<u>160,614</u>	<u>166,936</u>
Total assets	<u>\$ 6,322</u>	<u>\$ 172,797</u>	<u>\$ 179,119</u>
 <u>FUND BALANCE</u>			
Fund balances:			
Reserved	<u>\$ 6,322</u>	<u>\$ 172,797</u>	<u>\$ 179,119</u>

TOWN OF SOUTHWEST RANCHES, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
TRANSPORTATION RESERVE- SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 206,000	\$ 206,000	\$ 176,339	\$ (29,661)
Expenditures:				
Current:				
Public works	<u>286,000</u>	<u>286,000</u>	<u>237,577</u>	<u>48,423</u>
(Deficiency) of revenues (under) expenditures	<u>(80,000)</u>	<u>(80,000)</u>	<u>(61,238)</u>	<u>18,762</u>
Other financing (uses):				
Transfer out	(200,000)	(154,035)	-	154,035
Prior year's fund balance	<u>280,000</u>	<u>234,035</u>	-	<u>(234,035)</u>
Total other financing (uses)	<u>80,000</u>	<u>80,000</u>	-	<u>(80,000)</u>
(Deficiency) of revenues and other financing (uses) over expenditures	<u>-</u>	<u>-</u>	<u>(61,238)</u>	<u>(61,238)</u>
Fund balances, beginning of year	<u>234,035</u>	<u>234,035</u>	<u>234,035</u>	<u>-</u>
Fund balance, end of year	<u>\$ 234,035</u>	<u>\$ 234,035</u>	<u>\$ 172,797</u>	<u>\$ (61,238)</u>

TOWN OF SOUTHWEST RANCHES, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
POLICE EDUCATION- SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amount Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Expenditures:				
Current:				
Public safety	2,000	2,000	-	2,000
Excess of revenues over expenditures	-	-	-	-
Fund balances, beginning of year	6,322	6,322	6,322	-
Fund balance, end of year	\$ 6,322	\$ 6,322	\$ 6,322	\$ -

TOWN OF SOUTHWEST RANCHES, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
CAPITAL IMPROVEMENT FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amount Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants	<u>\$ 2,575,000</u>	<u>\$ 4,575,000</u>	<u>\$ 3,122,357</u>	<u>\$ (1,452,643)</u>
Total revenues	<u>2,575,000</u>	<u>4,575,000</u>	<u>3,122,357</u>	<u>(1,452,643)</u>
Expenditures:				
Current:				
Capital outlay	<u>2,775,000</u>	<u>5,420,759</u>	<u>1,231,325</u>	<u>4,189,434</u>
Total expenditures	<u>2,775,000</u>	<u>5,420,759</u>	<u>1,231,325</u>	<u>4,189,434</u>
 (Deficiency) Excess of revenues (under) expenditures	 <u>(200,000)</u>	 <u>(845,759)</u>	 <u>1,891,032</u>	 <u>2,736,791</u>
 Other financing sources:				
Transfer in	<u>200,000</u>	<u>154,035</u>	<u>-</u>	<u>(154,035)</u>
Prior year's fund balance	<u>-</u>	<u>691,724</u>	<u>-</u>	<u>(691,724)</u>
Total other financing sources (uses):	<u>200,000</u>	<u>845,759</u>	<u>-</u>	<u>(845,759)</u>
 Excess of revenues and other financing over expenditures	 <u>-</u>	 <u>-</u>	 <u>1,891,032</u>	 <u>1,891,032</u>
 Fund balances, beginning of year	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Fund balance, end of year	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,891,032</u>	 <u>\$ 1,891,032</u>



STATISTICAL SECTION

TOWN OF SOUTHWEST RANCHES, FLORIDA
GOVERNMENT-WIDE REVENUES BY SOURCE ⁽¹⁾
 Last Ten Fiscal Years

Fiscal Year	Operating										Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	Franchise Fees	Utility Taxes	Unrestricted Investment Earnings	Inter-governmental			
1994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1995	-	-	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-	-	-
2002	795,479	-	2,977,772	1,801,116	351,056	620,734	104,542	768,905	-	-	7,419,604
2003	1,462,312	-	3,125,694	1,956,415	391,293	657,677	143,596	665,240	-	-	8,402,227

(1) Information for fiscal years ended September 30, 1994 to 2001 are unavailable.

TOWN OF SOUTHWEST RANCHES, FLORIDA
GOVERNMENT-WIDE EXPENSES BY FUNCTION ⁽¹⁾
 Last Ten Fiscal Years

Fiscal Year	Interest on										Total	
	General Government	Public Safety	Public Works	Community Development	Non-Departmental	Parks and Recreation	Long Term Debt	Water and Sewer	Solid Waste	Stormwater		
1994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1995	-	-	-	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-	-	-	-
2002	877,242	1,947,075	135,620	687,405	28,131	2,959	258,654	-	-	-	-	3,937,086
2003	749,888	2,024,690	656,611	767,903	54,929	-	329,346	-	-	-	-	4,583,367

(1) Information for fiscal years ended September 30, 1994 to 2001 are unavailable.

TOWN OF SOUTHWEST RANCHES, FLORIDA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTIONS (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Development</u>	<u>Other (*)</u>	<u>Total</u>
1994						
1995						
1996						
1997						
1998						
1999						
2000						
2001	592,945	1,821,106	-	235,900	4,105,580	6,755,531
2002	730,200	1,953,500	75,000	531,000	6,577,215	9,866,915
2003	712,464	2,024,690	503,297	767,903	505,368	4,513,722

(1) Information for fiscal years ended September 30, 1994 to 2000 are unavailable.

(*) Non-departmental, debt service and capital outlay.

Note: General fund only

TOWN OF SOUTHWEST RANCHES, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Franchise Fees and Utility Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Special Assessments</u>	<u>Fines and Forfeitures</u>	<u>Other</u>	<u>Totals</u>
1994								
1995								
1996								
1997								
1998								
1999								
2000								
2001	2,147,639	753,906	130,123	596,408	0	10,693	40,662	3,679,431
2002	1,828,082	975,950	426,100	619,000	477,043	10,000	50,000	4,386,175
2003	1,956,415	1,048,970	234,345	488,901	1,190,746	37,221	146,933	5,103,531

(1) Information for fiscal years ended September 30, 1994 to 2000 are unavailable.
Note: General fund only

TOWN OF SOUTHWEST RANCHES, FLORIDA
PROPERTY TAX LEVIES AND COLLECTION(1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total Tax Levy *</u>	<u>Amount of Current Taxes Collected *</u>	<u>Percent of Current Taxes Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Total Collected for Year</u>	<u>Ratio of Total Taxes Collected Total Current Levy</u>
1994	1993						
1995	1994						
1996	1995						
1997	1996						
1998	1997						
1999	1998						
2000	1999						
2001	2000	2,010,880	2,125,513	105.70%	22,125	2,147,638	106.80%
2002	2001	1,828,082	1,775,836	97.14%	25,280	1,801,116	98.52%
2003	2002	1,889,800	1,928,296	102.04%	28,119	1,956,415	103.52%

(1) Information for fiscal years ended September 30, 1994 to 2000 are unavailable.

* Gross taxes before discounts exclusive of voted debt levies.

Source: Broward County Revenue Collector

TOWN OF SOUTHWEST RANCHES, FLORIDA
ASSESSED VALUE OF TAXABLE PROPERTY (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total Assessed Value</u>	<u>Homestead Exemption</u>	<u>Other Exemption</u>	<u>Assessed Value For Operations</u>
1994	1993				
1995	1994				
1996	1995				
1997	1996				
1998	1997				
1999	1998				
2000	1999				
2001	2000	617,284,784	47,758,642	53,033,812	516,492,330
2002	2001	723,562,069	48,159,326	53,394,484	622,008,259
2003	2002	765,821,214	48,660,694	54,070,744	663,089,776

(1) Information for fiscal years ended September 30, 1994 to 2000 are unavailable.
 Note: Local law requires that assessed values be established at 100% of estimated actual value.

Source: Broward County Property Appraiser

TOWN OF SOUTHWEST RANCHES, FLORIDA
PROPERTY TAX RATES (1)
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(Per \$1,000 of Assessed Valuation)

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total Town Operations</u>	<u>Broward County Operations</u>	<u>Broward County Schools</u>	<u>South Florida Water Management District</u>	<u>Hospital District</u>	<u>Florida Inland Navigation District</u>	<u>Total City Wide</u>
1994	1993							
1995	1994							
1996	1995							
1997	1996							
1998	1997							
1999	1998							
2000	1999							
2001	2000	3.8933	7.5250	8.9553	0.6970	2.4803	0.0410	23.5919
2002	2001	3.0000	7.4005	8.7541	0.6970	2.4803	0.0385	22.3704
2003	2002	3.0000	7.3650	8.8825	0.6970	2.4803	0.0385	22.4633

(1) Information for fiscal years ended September 30, 1994 to 2000 are unavailable. State law requires all counties to assess values at 100% of estimated values and limits millage for operating purposes to ten mills.

Source: Broward County Property Appraiser.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS(1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	Total Amount Of Special Assessments Receivable Beginning of Year	Amount of Special Assessments Becoming Due During Fiscal Year	Special Assessment Collected	Total Amount of Special Assessments Receivable End of Year
1994				
1995				
1996				
1997				
1998				
1999				
2000				
2001	-	-	-	-
2002	-	481,378	481,378	-
2003	-	1,190,746	1,176,372	14,374

(1) Information for fiscal years ended September 30, 1994 to 2000 are unavailable.
Note: General fund only

TOWN OF SOUTHWEST RANCHES, FLORIDA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2003

Assessed valuation 2003 roll		<u>\$ 663,089,776</u>
Bonded debt limit - 15% of assessed value		\$ 99,463,466
Total bonded debt- FMLC	\$ 6,895,000	
Amount of debt applicable		<u>6,895,000</u>
Legal debt margin		<u>\$ 92,568,466</u>

Note: Town Charter sets limit of bond indebtedness at 15% of assessed valuations.

TOWN OF SOUTHWEST RANCHES, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2003

	<u>Net Debt</u>	<u>Percent Applicable *</u>	<u>Overlapping Net Debt</u>
Town of Southwest Ranches	\$ 6,895,000	100%	\$ 6,895,000
Broward County School Districts	125,882,169	1.295%	1,630,175
Broward County	330,957,970	1.295%	<u>4,285,906</u>
Total Direct and Overlapping Debt			<u>\$ 12,811,081</u>

* Percentage based on assessed valuations.

TOWN OF SOUTHWEST RANCHES, FLORIDA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT (1)
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1994						
1995						
1996						
1997						
1998						
1999						
2000						
2001	7,058	516,492,331	-	-	-	-
2002	7,106	622,006,259	4,895,000	4,895,000	0.79%	689
2003	7,196	663,089,776	6,895,000	6,895,000	1.04%	958

(1) Information for fiscal years ended September 30, 1994 to 2000 are unavailable.

TOWN OF SOUTHWEST RANCHES, FLORIDA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL (1)
OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1994					
1995					
1996					
1997					
1998					
1999					
2000					
2001	19,868	24,838	44,706	6,789,808	0.66%
2002	3,780,132	148,279	3,928,411	10,604,825	37.04%
2003	90,000	340,335	430,335	5,982,624	7.19%

(1) Information for fiscal years ended September 30, 1994 to 2000 are unavailable.

**TOWN OF SOUTHWEST RANCHES, FLORIDA
PRINCIPAL TAXPAYERS**

<u>Taxpayer</u>	<u>Type</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation</u>
Florida Power & Light (FPL)	Public Utility	\$27,680,023	4.17%
Lowe's Home Center, Inc.	Building materials	13,910,000	2.10%
US Retail Income Fund	Coquino Plaza	11,765,550	1.77%
Sci Funeral Services	Funeral	7,790,250	1.17%
Southern Bell Telephone	Public Utility	4,185,947	0.63%
Republica Musicana, Inc,	Developer	3,775,020	0.57%
Landmark Custom Ranches	Developer	3,702,520	0.56%
Roberto Tuchman	Residential	3,088,710	0.47%
Nathan & Jacqueline Finkel	Residential	2,863,130	0.43%
Margarita Cormona	Residential	<u>2,313,470</u>	<u>0.35%</u>
	Total	<u>\$81,074,620</u>	<u>12.23%</u>

Source: Broward County Tax Records

TOWN OF SOUTHWEST RANCHES, FLORIDA
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Value</u>	<u>Construction **</u>	<u>Commercial Bank Deposits *</u>
1994	-	-	-
1995	-	-	-
1996	-	-	-
1997	-	-	-
1998	-	-	-
1999	-	-	-
2000	-	-	-
2001	516,492,331	-	15,964,349,000
2002	608,208,179	13,800,080	16,580,749,000
2003	659,679,326	3,410,540	17,983,613,000

(1) Information for fiscal years ended September 30, 1994 to 2000 are unavailable.

* Florida Bankers Association commercial deposits as of September 30 for Broward County

**TOWN OF SOUTHWEST RANCHES, FLORIDA
DEMOGRAPHIC AND MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2003**

<u>Date of Incorporation</u> June 6, 2000	<u>Public Education</u> Number of Schools 0 Number of Teachers 0 Number of Students 2,050 Total of all faculty 0
<u>Date of Adoption of Town Charter</u> November 9, 2003 (Amended)	
<u>Form of City Government</u> Council/Administrator	<u>Area</u> Squares miles 13
<u>Building Permits this Period</u> Permits issued 35	<u>Median Household Income</u> \$ 91,282 <u>Median Age</u> 37.8 Years
	<u>Characteristics</u> Rural residential, Agricultural, Lot size ranging from a minimum of 1 acre to over 5 acre homesteads
<u>Recreation</u> Public park facilities 173 acres Planned passive parks and trails	

Employees as of September 30, 2003
All contracted services- no employees

**Population and Growth Comparison
Per Bureau Of Census and Bureau of Economic and Business Research**

Year	<u>Southwest Ranches</u>		<u>Broward County</u>		<u>United States</u>	
	<u>Population</u>	<u>% of Change</u>	<u>Population</u>	<u>% of Change</u>	<u>Population</u>	<u>% of Change</u>
1940	-	0.00%	39,794	0.00%	131,160,000	0.00%
1950	-	58.89%	83,933	110.91%	151,326,000	58.89%
1960	-	311.66%	333,946	74.87%	179,323,000	311.66%
1970	-	205.03%	620,100	85.69%	203,235,000	205.03%
1980	-	41.66%	1,048,133	69.03%	226,505,000	41.66%
1990	-	14.28%	1,255,488	19.78%	248,709,873	14.28%
2000	7,058	9.67%	1,623,018	8.90%	281,421,906	13.15%



COMPLIANCE SECTION

**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, 2003, and have issued our report dated March 5, 2004. 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 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 2003-1, 2003-2, 2003-3 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 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 2003-1, 2003-2, 2003-3, 2003-4, 2003-5, 2003-6, and 2001-3.

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 2003-2, 2003-3, 2003-4 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.

Grau & Company

March 5, 2004

**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, 2003, and have issued a report thereon dated March 5, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550 Rules of the Auditor General. We have issued our Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting, Summary Schedule of Prior Audit Findings and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules which are dated March 5, 2004 should be considered in conjunction with this management letter.

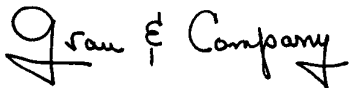
The purpose of this letter is to comment on those matters described in Rule 10.554(1)(g) required by the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the basic financial statements of the Town, as described in the first paragraph, we report on the following, which is included on pages 55 through 70.

- 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 5, 2004.

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 5, 2004

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003

SECTION I – CURRENT YEAR FINDINGS AND RECOMMENDATIONS

NON-COMPLIANCE

2003-1 Error in 2003 and 2004 Millage Certification Document

Condition

Florida Statute 200.065(3)(a) requires taxing authorities other than school districts which have tentatively adopted a millage rate in excess of 100 percent of the rolled-back rate computed pursuant to subsection (1) to use a standard form and use property tax levy amounts as described on that form. We noted that the Town received a notice from the Florida Department of Revenue stating that portion(s) of the property tax levy in the Notice of Proposed Tax Increase Advertisement for fiscal years 2003 and 2004 were incorrect, as required by Statute 200.065(3)(a).

The "Verbatim Record of Proceedings" was included in the Truth in Millage (TRIM) advertisement for the fiscal year 2004 tax levy; however, Sections 200.065(3)(h) and 286.0105, F.S. excludes the additional verbiage. Furthermore, the Notice of Proposed Tax Increased Advertisement did not follow the verbiage, as illustrated in the State's TRIM compliance instruction manual

Cause of Condition:

Advertisement of incorrect amount in the Notice of Proposed Tax Increase Advertisement. Also, the Town included "Verbatim Record of Proceedings" in the TRIM advertisement while this additional verbiage is excluded by Sections 200.065 (3)(h) and 286.0105, F.S. Furthermore, the verbiage of Notice of Proposed Tax Advertisement was not followed as recommended by the TRIM compliance instruction manual.

Effect of Condition

Could result in the loss of state revenue sharing funds and loss of ad valorem revenues in excess of the rolled-back rate.

Recommendations

We recommend that the Town follow the State's TRIM compliance instruction manual.

Management's Response

We agree with the auditors' recommendations.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(CONTINUED)

SECTION I – CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

NON-COMPLIANCE (CONTINUED)

2003-2 Non compliance with Purchasing Policies

Condition

During our compliance testing, we noted that the Town entered into two contracts for amounts above \$25,000 which required Town commission approval and no such approval was obtained.

Cause of Condition

Time constraints and need for immediate execution of agreement and misunderstanding regarding the type of service provided.

Effect of Condition

Two contracts were awarded without commission approval and in violation of the Town's purchasing policies and state procurement policies.

Recommendations

We recommend that the Town follow its purchasing policies and state procurement policies.

Management's Response

The corrective actions have been instituted to avoid this issue in the future.

2003-3 Loan Covenants

Condition

While testing loan covenants we note that the Town represented that the Franchise Fees and Public Service Tax are not pledged or encumbered in any manner; however, at the time of executing this agreement, the Town had another loan agreement for which all non-ad Valorem Taxes were pledged.

Cause of Condition

Oversight by the Town at the time the loan was negotiated.

Effect of Condition

The Town could be found in technical default of the loan agreement and the lender can call the amount due.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(CONTINUED)

SECTION I – CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

NON-COMPLIANCE (CONTINUED)

2003-3 *Loan Covenants (Continued)*

Recommendations

We recommend that the Town notify the Lender and resolve this non-compliance.

Management's Response

The loan with the Community Bank of Broward for \$2.0 million was for interest only and will be paid off in 2004. The bank agrees that this is a technical default however because of the excess coverage of 68% above the financial ratio of 1.5 coverage, the bank has no problem with the current condition.

2003-4 *Missing Authorized Signatures*

Condition

The Town requires two authorized signatures on all disbursement as a level of internal control over disbursements. During our testing we noted two instances where payments were issued with only one authorized signature.

Cause of Condition

Due to the size of the Town's staff and availability of the check signers, these two payments were issued without the second signature.

Effect of Condition

By not following the Town's disbursement policies, the Town's internal controls will be ineffective and can lead to possible misappropriation of assets

Recommendations

We recommend that the Town follow its disbursements policies and maintain the level of internal controls.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(CONTINUED)

SECTION I – CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

REPORTABLE CONDITION

2003-4 Missing Authorized Signatures (Continued)

Management's Response

We agree with the recommendation and have established procedures to eliminate this situation. The procedures we have implemented to provide for a wire transfer of funds with one signature only for the following conditions:

- Transfer of funds for Town Council approved debt service payments
- Transfer of funds between Town Council approved banks
- Transfer of funds for Town Council approved acquisition of property

2003-5 Budgets

Condition

During our compliance testing, we noted the following relating to Budgeting:

- (1) The Town has budgeted grant revenues and expenditures for grants which had not been finalized or awarded at the time the budgets were prepared.
- (2) The Town budgeted the use of prior years fund balance on the Transportation Reserve Fund of \$280,000, however, the fund only has a \$234,035 fund balance.
- (3) The Town also budgeted a carryover of capital improvement projects in the Capital Improvement Fund of \$2,573,094 and this fund did not exist in 2002.
- (4) The 2004 budget reported a budgeted amount for a debt service fund, however, there was no such fund in the 2003 budget

Cause of Condition

- (1) At the time the budget was prepared, the Town had applied for the grants and received oral commitments.
- (2) Management was not aware they had exceeded the amount of prior year's fund balance.
- (3) This was an error and should have been a transfer from the General Fund.
- (4) This was an error as the 2003 debt service was part of the General Fund.

Effect of Condition

- (1) By budgeting grant revenues and expenditures before the grants are finalized, the Town may incur expenditures in anticipation of these grants and incur over-expenditures if the grants are not received.
- (2) - (4) By budgeting expenditures when funds are not available, the Town could overspend and resources of other funds will be depleted.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(CONTINUED)

SECTION I – CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

REPORTABLE CONDITION

Budgets 2003-5 (Continued)

Recommendations

We recommend that Town review its budgeting policies.

Management's Response

- 1) The budgeting of grant revenues and appropriations prior to the award is not an unusual practice. The purpose is that when grant activity is planned as a part of the direction of the Town Council then the budgeting of such revenues and appropriations is appropriate. Cost incurred to acquire the grant has been authorized by the Town Council or are a part of the grant information necessary to apply or qualify for the grants.
- 2) The budgeting of an estimated Fund Balance for the Transportation Reserve Fund is normal practice and a budget amendment approved by the Town Council was issued to adjust the budgeted amount to the audited fund balance.
- 3) The budgeting of a carryover of capital improvement projects, approved by the Town Council, to a newly established Capital Improvement Fund is not unusual or incorrect. The preference of the auditor would have been to Transfer the carryover to the new Capital Improvement Fund.
- 4) The use of the budget as a means to create new funds is not unusual or incorrect. The budget document also created fund in a prior year for the purpose of comparison and not an indication that the fund actually existed in the prior year.

2003-6 Missing Public Depositor Annual Report

Condition

While testing compliance, we noted that the "Public Depositor Annual Report" was not on file with the Town.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(CONTINUED)

SECTION I – CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

REPORTABLE CONDITION

2003-6 Missing Public Depositor Annual Report (Continued)

Cause of Condition

Submitting of original document without maintaining support of filing.

Effect of Condition

The Town could not provide support for the filing of the annual report.

Recommendations

We recommend that a copy of the "Public Depositor Annual Report" be maintained by the Town's Clerk when filed.

Management's Response

Management agrees with this recommendation and will file the report and maintain a copy for 2004.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(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>Finding</u>	<u>Implemented</u>	<u>Not Implemented</u>
<u>Non- Compliance</u>		
2002-1 Purchase of Land	X	
2002-2 Loan Covenants	X	
2001-3 Expenditures Incurred Over Appropriations		X
<u>Reportable Conditions</u>		
2002-3 Bank Reconciliation	X	
2002-4 Proper Year-end Cut-off Procedures	X	
<u>Other Matters</u>		
2002-5 Financial Disclosure Forms		X
2001-6 Policies and Procedures Manual	X	
2001-8 Investment of Surplus Funds		X
2001-9 Accounting Software		X
2001-10 Use of Automated Teller Machine Cards	X	

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.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(CONTINUED)

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

NON-COMPLIANCE (CONTINUED)

2002-1 Purchases of Land (Continued)

Management's Response

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

Status

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

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.

Status

The Town has implemented this recommendation, however it was not in compliance with other loan covenants as described at finding 2003-3.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(CONTINUED)

SECTION II – STATUS OF PRIOR 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.

Status

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

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.

**TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(CONTINUED)**

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

REPORTABLE CONDITION (CONTINUED)

2002-4 Proper Year-End Cut-Off Procedures

Management's Response

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

Status

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

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.

Status

During our testing of compliance we noted that required forms were not on file. This comment will be repeated.

Management's Response

We agree and will improve our methods of filing by retaining copies of the forms..

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(CONTINUED)

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

NON-COMPLIANCE

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

This finding should not be repeated because the mistake was made in a prior year and cannot be corrected. Other conditions identified in other years are not the same finding.

Status

The Town has not implemented this recommendation. We noted that the Town has expenditures over appropriations as shown at Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund at page 30. This comment will be repeated.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(CONTINUED)

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

OTHER MATTERS

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.

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

The Town has prepared a purchasing manual and will follow Broward County's policies and procedures. This comment shall not be repeated.

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.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(CONTINUED)

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

OTHER MATTERS (CONTINUED)

2001-8 Investment of Surplus Funds (Continued)

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 has implemented this recommendation during 2003. This comment will not be repeated.

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 one special revenue funds, one capital projects fund, 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

We are currently researching and will test several accounting software packages.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(CONTINUED)

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

OTHER MATTERS (CONTINUED)

2001-9 Accounting Software (Continued)

Status

The Town did not implement this recommendation during 2003. 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.

Recommendation

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

Management's Response

The Town has implemented controls for the use of ATM cards and has significantly reduce the usage.

Status

The Town implemented this recommendation during 2003. This comment will not be repeated.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(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.
6. The Town was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
7. The Town, during fiscal year 2003, 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, 2003 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, 2003.

**TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
SEPTEMBER 30, 2003
(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.