

VILLAGE OF SEA  
RANCH LAKES, FLORIDA

BASIC  
FINANCIAL STATEMENTS

September 30, 2009

VILLAGE OF SEA RANCH LAKES, FLORIDA  
 BASIC FINANCIAL STATEMENTS  
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**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and  
Members of the Village Council  
Village of Sea Ranch Lakes, Florida

We have audited the accompanying financial statements of the governmental activities and major fund of Village of Sea Ranch Lakes, Florida (the "Village"), as of and for the year ended September 30, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of Village of Sea Ranch Lakes, Florida as of September 30, 2009, and the changes in financial position and budgetary comparison for the General Fund for the 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 our report dated April 28, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Village of Sea Ranch Lakes, Florida

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village's basic financial statements. Other financial information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. All 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.

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
April 28, 2010

**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2009

Our discussion and analysis of Village of Sea Ranch Lakes, Florida's (the "Village") financial performance provides an overview of the Village's financial activities for the years ended September 30, 2009 and 2008. Please read it in conjunction with the Village's basic financial statements, which immediately follow this discussion.

**FINANCIAL HIGHLIGHTS**

The following are the highlights of financial activity for the year ended September 30, 2009:

- The Village's total assets exceeded its liabilities at September 30, 2009 by \$ 1,695,747.
- The Village's total revenues were \$ 1,582,708, \$ 1,510,327 from taxes, \$ 61,191 from charges for services, \$ 3,670 from investment income, and \$ 7,520 from miscellaneous income. The Village's expenses for the year were \$ 1,321,353.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all the Village'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 Village is improving or deteriorating.

The statement of activities presents information showing how the Village's net assets changed during the 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 the future fiscal periods.

The government-wide financial statements can be found on pages 7 and 8 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 Village has only one fund type: governmental fund.

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 balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2009

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 Village's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements can be found on pages 9 through 14 of this report.

**Notes to Basic Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 15 through 22 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statement of net assets as of September 30, 2009 and 2008.

Village of Sea Ranch Lakes, Florida Statements of Net Assets		
	2009	2008
Current and other assets	\$ 880,981	\$ 591,423
Capital assets	949,806	979,451
Total assets	1,830,787	1,570,874
Other liabilities	85,808	91,094
Long-term liability	49,232	45,388
Total liabilities	135,040	136,482
Net assets:		
Invested in capital assets, net of related debt	949,806	979,451
Restricted	44,787	29,325
Unrestricted	701,154	425,616
Total net assets	\$ 1,695,747	\$ 1,434,392

**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2009

**Governmental Activities**

Governmental activities increased the Village's net assets by \$ 261,355, as reflected in the table below:

Village of Sea Ranch Lakes, Florida Statements of Activities		
	2009	2008
<b>REVENUES:</b>		
Program revenues:		
Charges for services	\$ 61,191	\$ 81,300
General revenues:		
Property taxes	1,272,039	1,157,792
Intergovernmental revenues	158,258	156,813
Other taxes	80,030	77,753
Investment income	3,670	10,502
Miscellaneous	7,520	11,060
	<b>1,582,708</b>	<b>1,495,220</b>
<b>EXPENSES:</b>		
Public safety	1,010,333	864,215
General government	156,352	183,381
Transportation	84,290	81,378
Physical environment	70,378	70,806
	<b>1,321,353</b>	<b>1,199,780</b>
Total expenses		
	<b>1,321,353</b>	<b>1,199,780</b>
Change in net assets	261,355	295,440
NET ASSETS, October 1	1,434,392	1,138,952
NET ASSETS, September 30	\$ 1,695,747	\$ 1,434,392

**ANALYSIS OF THE GOVERNMENT'S FUND**

The Village of Sea Ranch Lakes uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements for government funds provide information on the near-term inflows, outflows and balances of spendable resources. In particular, unreserved fund balance may be useful as an indicator of a government's net resources available for spending at the end of the fiscal year. The General Fund's fund balance at September 30, 2009 was \$ 846,865.

**CAPITAL ASSETS**

The Village's capital assets, less accumulated depreciation, for its governmental activities as of September 30, 2009, amounts to \$ 949,806, and consists of infrastructure, improvements other than buildings, and furniture and equipment.

**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2009

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no amendments to the September 30, 2009 budget. Revenues were over while expenditures were under the adopted budget for the year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Village's main revenues are from a combination of tax receipts from ad-valorem property taxes, revenue sharing with the state on sales, gasoline and communications services taxes, franchise fees and building permit fees. The budget for fiscal 2010 is based on our best expectations of revenue totals from these and other smaller sources and expenses based on prior years' history and known increases for the 2010 fiscal year.

Facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations of the Village in fiscal year 2010 include the following:

- \$500,000 was budgeted for construction of a wall on the north side of the Village. As bids were twice received and rejected, construction of the wall has been cancelled until fiscal year 2010-11. This will result in a surplus for 2009-10 significantly higher than budgeted.
- The Village ad valorem, revenue sharing and permit fees were budgeted lower than in the prior fiscal year and will probably be budgeted lower again in fiscal year 2010-11 as a result of economic conditions.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Village of Sea Ranch Lakes, Florida's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Village of Sea Ranch Lakes, Florida; One Gatehouse Road; Sea Ranch Lakes, Florida 33308.



# BASIC FINANCIAL STATEMENTS

VILLAGE OF SEA RANCH LAKES, FLORIDA  
STATEMENT OF NET ASSETS  
September 30, 2009

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 839,550
Franchise taxes receivable	14,049
Due from other governments	14,506
Prepaid expenses	12,876
Capital assets:	
Depreciable, net	<u>949,806</u>
Total assets	<u>1,830,787</u>
 <b>LIABILITIES:</b>	
Accounts payable	21,193
Accrued payroll liabilities	12,923
Current liability:	
Compensated absences	51,692
Long-term liability:	
Compensated absences	<u>49,232</u>
Total liabilities	<u>135,040</u>
 <b>COMMITMENTS AND CONTINGENCIES (Note 9 and 10)</b>	
 <b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	949,806
Restricted for:	
Road maintenance	44,787
Unrestricted	<u>701,154</u>
Total net assets	<u>\$ 1,695,747</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2009

		Program Revenues			Governmental Activities Net
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Change in Net Assets
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental activities:					
Public safety	\$ 1,010,333	\$ 56,463	\$	\$	\$ (953,870)
General government	156,352	4,728			(151,624)
Transportation	84,290				(84,290)
Physical environment	70,378				(70,378)
Total governmental activities	\$ 1,321,353	\$ 61,191	\$ -	\$ -	(1,260,162)
General revenues:					
Taxes:					
Property taxes					1,272,039
Franchise taxes					80,030
Revenue sharing					62,792
Sales tax					37,088
Communication service taxes					45,472
Motor fuel taxes					12,906
Investment income					3,670
Miscellaneous					7,520
Total general revenues					1,521,517
Change in net assets					261,355
Net assets, October 1, 2008					1,434,392
Net assets, September 30, 2009					\$ 1,695,747

The accompanying notes to basic financial statements are an integral part of these statements.

VILLAGE OF SEA RANCH LAKES, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30, 2009

A S S E T S

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 839,550
Franchise taxes receivable	14,049
Due from other governments	14,506
Prepaid expenditures	<u>12,876</u>
Total assets	<u>\$ 880,981</u>

L I A B I L I T I E S   A N D   F U N D   B A L A N C E

<b>LIABILITIES:</b>	
Accounts payable	\$ 21,193
Accrued payroll liabilities	<u>12,923</u>
Total liabilities	<u>34,116</u>

COMMITMENTS AND CONTINGENCIES (Notes 9 and 10) -

<b>FUND BALANCE:</b>	
Reserved for:	
Road maintenance	44,787
Prepaid expenditures	12,876
Unreserved:	
Designated (Note 11)	20,000
Undesignated	<u>769,202</u>
Total fund balances	<u>846,865</u>
Total liabilities and fund balance	<u>\$ 880,981</u>

The accompanying notes to basic financial statements are an integral part of these statements.

VILLAGE OF SEA RANCH LAKES, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
September 30, 2009

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN  
THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Total fund balance of governmental fund in the balance sheet , page 9	\$	846,865
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Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported in  
the governmental funds:

The cost of capital assets is	\$	1,277,085	
Accumulated depreciation is		<u>327,279</u>	949,806

Certain liabilities are not due and payable in the current  
period and, therefore, are not reported in the funds:

Compensated absences	<u>(100,924)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 7	\$	<u><u>1,695,747</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements.

VILLAGE OF SEA RANCH LAKES, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND  
For the Year Ended September 30, 2009

REVENUES:	
Property taxes	\$ 1,272,039
Intergovernmental revenue	158,258
Licenses and permits	51,926
Franchise taxes	80,030
Miscellaneous	8,215
Investment income	3,670
Fines and forfeitures	<u>8,572</u>
Total revenues	<u>1,582,710</u>
EXPENDITURES:	
Current:	
Public safety	997,447
General government	154,495
Physical environment	70,378
Transportation	40,659
Capital outlay	<u>29,462</u>
Total expenditures	<u>1,292,441</u>
Net change in fund balance	290,269
FUND BALANCE, October 1, 2008	<u>556,596</u>
FUND BALANCES, September 30, 2009	<u><u>\$ 846,865</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGE IN FUND BALANCE**  
**OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2009**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND, PAGE 11	\$	290,269
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Amounts reported for governmental activities in the statement of activities are difference because:

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	\$	29,462	
Less current year provision for depreciation		<u>(59,107)</u>	(29,645)

Certain items reported in the statement of activities do not require the use of current financial resources; therefore are not reported as expenditures in the governmental funds:

Change in compensated absences		<u>731</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8	\$	<u><u>261,355</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements.

**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended September 30, 2009**

	Original and Final Budget	Actual Amounts	Variance
<b>REVENUES:</b>			
Property taxes	\$ 1,250,000	\$ 1,272,039	\$ 22,039
Intergovernmental revenue:			
Revenue sharing - state	60,000	62,792	2,792
Florida sales and gas taxes	40,000	49,994	9,994
Communication service tax	40,000	45,472	5,472
Licenses and permits:			
Building permits	60,000	47,198	(12,802)
Occupational licenses	5,000	4,728	(272)
Franchise taxes	80,000	80,030	30
Miscellaneous:			
Other	5,000	7,520	2,520
Alarm system	1,000	75	(925)
Fingerprints	-	620	620
Investment income	10,000	3,670	(6,330)
Fines and forfeitures:			
Violations	3,500	8,572	5,072
	<u>1,554,500</u>	<u>1,582,710</u>	<u>28,210</u>
Total revenues			
<b>EXPENDITURES:</b>			
Public safety:			
Police salaries	597,000	656,976	(59,976)
Insurance	74,000	51,506	22,494
Fire contract	152,000	152,000	-
Payroll taxes	43,000	48,491	(5,491)
Police covered expenses	25,000	30,249	(5,249)
Building and fire inspectors	40,000	28,120	11,880
Building rental	29,000	22,800	6,200
Uniforms	10,000	7,305	2,695
Seminars and training	8,000	-	8,000
Miscellaneous	5,000	-	5,000
	<u>983,000</u>	<u>997,447</u>	<u>(14,447)</u>
Total public safety			

The accompanying notes to basic financial statements are an integral part of these statements.



**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
 (continued)  
 For the Year Ended September 30, 2009

	Original and Final Budget	Actual Amounts	Variance
General government:			
Village Clerk - salaries, insurance and payroll taxes	71,600	53,401	18,199
Building rental	29,000	22,800	6,200
Legal fees and recorder	18,000	19,172	(1,172)
Accounting and auditing	20,000	20,950	(950)
Office and miscellaneous	15,000	13,181	1,819
Telephone	7,200	7,965	(765)
Maintenance and repairs	5,000	13,186	(8,186)
Contracted services	18,000	3,840	14,160
Total general government	183,800	154,495	29,305
Physical environment:			
Waste management	72,000	70,378	1,622
Hurricane debris removal	70,000	-	70,000
Total physical environment	142,000	70,378	71,622
Transportation:			
Right of way maintenance	28,000	28,003	(3)
Electricity	8,000	5,780	2,220
Water	7,000	5,414	1,586
Maintenance and repair	5,000	1,462	3,538
Total transportation	48,000	40,659	7,341
Capital outlay	217,000	29,462	187,538
Total expenditures	1,573,800	1,292,441	281,359
Net change in fund balance	\$ (19,300)	\$ 290,269	\$ 309,569

VILLAGE OF SEA RANCH LAKES, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Sea Ranch Lakes, Florida (the "Village"), was incorporated in 1959, under the provisions of Chapter 59-1858, laws of the State of Florida. The Village operates under a Mayor-Council form of government and provides, or contracts, for the following services as authorized by its Charter and Village Ordinances: public safety (police and fire), highways and streets, sanitation, public improvements, planning and zoning and general administrative services.

Reporting entity:

The financial reporting entity consists of the Village as the primary government, which includes all funds, agencies and departments, and those component units for which the Village is financially accountable. The Village is financially accountable if it appoints a voting majority of an organization's governing body and it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Village. The Village may also be financially accountable if an organization is fiscally dependent on the Village regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the Village is financially accountable which would require inclusion in the Village's basic financial statements.

Financial statements - government-wide statements:

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major fund). Both the government-wide and fund financial statement categorize primary activities as either governmental or business type. All of the Village's activities are classified as governmental activities.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations, when and if applicable.

The government-wide statement of activities reports both the gross and net cost of each of the Village's functions. The net costs, by function, are also supported by general revenues, other revenue, etc. The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

This government-wide focus is more on the ability to sustain the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

Financial statements - fund financial statements:

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

VILLAGE OF SEA RANCH LAKES, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Ad-valorem taxes and charges for services are susceptible to accrual when collected in the current year or within sixty days subsequent to year end, provided that amounts received pertain to billings through the year just ended. Intergovernmental revenue, franchise taxes, and fines and forfeitures are recorded in accordance with their legal or contractual requirements if collected in the current period or within sixty days after year end. Investment income is recorded when earned. Licenses and permits and miscellaneous revenue are recorded as revenue when received in cash because they are generally not measurable until actually received.

The Village reports the following governmental fund:

**General Fund** - This fund is used to account for all operating activities of the Village.

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

Budgets and budgetary data:

The Village adopts an annual operating budget, which is employed as a management control device, for the general governmental activities of the General Fund. This budget, as adopted or amended during the year by the Village Council, was prepared on the same basis of accounting utilized to prepare the basic financial statements, except that encumbrances are treated as expenditures for budgetary purposes. During the year, all legal requirements with regard to budget adoption were met.

Process of adoption:

1. On or about August 1, the Financial Director submits a proposed operating budget for the coming year to the Village Council.
2. During August, the Village Council holds workshops, if necessary, open to the public, to review the proposed budget and determine the tentative budget.
3. During September, two public hearings are held for the purpose of presenting to and receiving input from the citizens on the tentative budget and the proposed millage rate. At the second hearing, the annual budget is adopted and the ad valorem taxes are levied.

Period of appropriation:

Unless encumbered by a purchase order, the budgeted appropriations lapse at the end of each year. For budgetary control purposes, encumbrances are added to the current year expenditures and are treated as a use of current year appropriations. Encumbrances represent commitments related to unperformed contracts for goods or services.

Level of control:

The adoption of the budget by the Village Council constitutes the legal appropriation of the amounts specified therein as expenditures from the appropriate governmental fund. The amount of expenditures cannot exceed the aggregate of all expenditures provided in the budget unless the Village Council has approved a supplemental appropriation.

VILLAGE OF SEA RANCH LAKES, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents:

Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

Compensated absences:

The Village maintains personnel records that allow it to determine the cumulative number of longevity, compensatory time, sick days and vacation days available to its full-time employees. This allows the Village to determine its future liability for these compensated absences. As of September 30, 2009, the amount accrued in the government-wide financial statements was \$ 100,924.

Equity classifications:

*Government-wide statements*

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets - consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund statements*

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.

Prepaid expenses/expenditures:

Prepaid expenses/expenditures are recorded as assets when the initial payment is made. Each asset is then charged off against operations in the period benefitted. These amounts are reserved in the governmental fund financial statements.

Capital assets:

Capital assets, which include infrastructure, improvements other than buildings, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$ 250 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated or when awarded by the courts. Depreciation on all capital assets is charged to operations using the straight-line method over the assets' estimated service lives, ranging from 5 to 25 years.

VILLAGE OF SEA RANCH LAKES, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

The Village's deposits must be placed with banks and savings and loans which are qualified as public depositories prior to receipt of public monies under Chapter 280, Florida Statutes. These deposits are insured by the FDIC up to \$ 250,000 per depositor per insured bank. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer in the collateral pool. At year end, the carrying amount of the Village's deposits was \$ 19,869 and the bank balance was \$ 25,000. These deposits were fully insured.

Investments:

The Village of Sea Ranch Lakes invests surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the "State Pool"). The State Pool is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. The SBA previously reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools ("Florida PRIME" and "Fund B").

The Florida PRIME has adopted operating procedures consistent with the requirement for a 2a7-like fund. The Village's investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares.

The Fund B is reported at fair value, determined by the fair value per share of the pool's underlying portfolio.

The Village had the following investments as of September 30, 2009:

Investment	Maturities	Fair Value
Florida PRIME	Weighted average days to maturity is 33 days	\$ 1,405
Fund B	Weighted average life is 6.69 years	\$ 562
Repurchase agreement	Overnight sweep account which invests in obligations of the U.S. Government whose maturities change on a daily basis	\$ 815,085

**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2009

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Credit risk:

Florida Statutes require the investments held by the Village to have the highest credit quality rating from a nationally recognized rating agency. The Florida PRIME is rated AAAM by Standard and Poors and Fund B is not rated by any nationally recognized statistical rating agency.

Custodial credit risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The overnight repurchase agreement is collateralized by investments in U.S. Government Agency Securities. As of September 30, 2009, the securities are held by a third party custodian.

**NOTE 3 - PROPERTY TAXES**

Property taxes levied by the Village are billed and collected by Broward County and remitted to the Village. Taxes for the year beginning October 1 are levied prior to October 1 and become a lien on real property on October 1 of each year based upon the assessed value as of January 1. These taxes are billed in the month of November and are due not later than March 31 of the succeeding year. On April 1, unpaid amounts become delinquent, subject to penalties and interest, and become subject to the issuance of tax sale certificates on June 1. Generally the Village collects nearly all of the current year property taxes during the year in which they are due.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009, was as follows:

	Balance October 1, 2008	Increases	Decreases	Balance September 30, 2009
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 2,750	\$ -	\$ 2,750
Total capital assets, not being depreciated	<u>-</u>	<u>2,750</u>	<u>-</u>	<u>2,750</u>
Capital assets, being depreciated:				
Infrastructure	1,049,611	-	-	1,049,611
Furniture and equipment	136,060	1,312	-	137,372
Improvements other than buildings	61,952	25,400	-	87,352
Total capital assets, being depreciated	<u>1,247,623</u>	<u>26,712</u>	<u>-</u>	<u>1,274,335</u>
Total capital assets	<u>1,247,623</u>	<u>29,462</u>	<u>-</u>	<u>1,277,085</u>

**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2009

**NOTE 4 - CAPITAL ASSETS (continued)**

	Balance October 1, 2008	Increases	Decreases	Balance September 30, 2009
Less accumulated depreciation for:				
Infrastructure	147,967	41,984	-	189,951
Furniture and equipment	91,921	12,591	-	104,512
Improvements other than buildings	28,284	4,531	-	32,815
	<u>268,172</u>	<u>59,107</u>	<u>-</u>	<u>327,279</u>
Total accumulated depreciation				
	<u>268,172</u>	<u>59,107</u>	<u>-</u>	<u>327,279</u>
Total capital assets, being depreciated, net	<u>979,451</u>	<u>(29,645)</u>	<u>-</u>	<u>947,056</u>
Governmental activities capital assets, net	<u>\$ 979,451</u>	<u>\$ (29,645)</u>	<u>\$ -</u>	<u>\$ 949,806</u>

Provision for depreciation was charged to functions of the Village as follows:

Governmental activities:	
Transportation	\$ 43,636
Public safety	13,947
General government	<u>1,523</u>
	<u>\$ 59,107</u>

**NOTE 5 - LINE OF CREDIT**

The Village has available a revolving line of credit with a bank for up to \$ 250,000 to use for short-term working capital needs or in the event of an emergency. The interest rate fluctuates based on the LIBOR rate. The line of credit is due on demand with an annual review on or before January 31 of each year. As of September 30, 2009, there was no outstanding balance.

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of the changes in the long-term debt of the Village for the year ended September 30, 2009:

	Balance October 1, 2008	Additions	Retirements	Balance September 30, 2009
Compensated absences	<u>\$ 101,655</u>	<u>\$ 5,977</u>	<u>\$ 6,708</u>	<u>\$ 100,924</u>

**NOTE 7 - DEFERRED COMPENSATION PLAN**

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The Plan is available to all full-time employees and permits them to defer a portion of their salary until future years. Such deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

VILLAGE OF SEA RANCH LAKES, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2009

NOTE 7 - DEFERRED COMPENSATION PLAN (continued)

Under the provisions of IRC Section 457, the Village modified its Plan documents and transferred all Plan assets to custodial accounts. In the opinion of Village management, this custodial account structure removes any presumption of fiduciary responsibility. Accordingly, because Village management has little administrative involvement with the Plan and does not perform any investing functions for the Plan, the Plan assets are not reflected in the Village's financial statements as of September 30, 2009.

NOTE 8 - RELATED PARTY

The residents of Village of Sea Ranch Lakes, Florida own the Sea Ranch Lakes Beach Club, Inc., as one share of stock of the Club has been permanently assigned to each of the 210-platted Village lots. These shares are restricted in such a manner that they shall at all times stand in the name of the person or persons residing on the lots, whether as fee owner or lessee.

NOTE 9 - BUILDING LEASE

The Village leases its administration and police office space from the Sea Ranch Lakes Beach Club, Inc. (Note 8). The monthly payments are \$ 3,800 and the \$ 45,600 rent expenditure for the year ended September 30, 2009 has been allocated equally between General Government and Public Safety in the General Fund. The lease term is through September 30, 2010.

The following are future lease payments in connection with this lease:

<u>Year Ending September 30,</u>	
2010	\$ 45,600

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Village entered into an agreement with the City of Pompano Beach to provide EMS and fire services to the Village commencing on October 1, 2008 and continuing through September 30, 2011. The 3-year agreement provides for an annual base fee of \$ 152,000. In addition, the City of Pompano Beach shall invoice, collect and retain all EMS transport fees, fire safety inspections, plan reviews, fire code enforcement services and hazardous materials mitigation services. In October of each year, the fee will increase by a percentage not to exceed 5%. The agreement will automatically renew for an additional two years unless either party notifies the other in writing on or before March 30, 2011. The agreement can also be terminated by either party with nine months written notice. During fiscal year 2009 the Village paid the City of Pompano Beach \$ 152,000 per the above agreement for EMS and fire services.

The Village has an agreement with Waste Management, Inc. of Florida through September 2009 to provide it with solid waste and recyclable material collection services for a fee of \$ 27.75 per unit, adjusted annually in accordance with the change in the Consumer Price Index plus a specific increase or decrease by an amount equal to \$ 0.17 for each \$ 1.00 of increase or decrease in disposal fees.



VILLAGE OF SEA RANCH LAKES, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2009

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

Post retirement benefits:

The Village does not provide post-retirement benefits to retired employees.

Risk management:

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village places all insurance risk, less nominal deductibles, in the hands of commercial carriers. The Village has not incurred any claims resulting from these risks in the past three fiscal years.

NOTE 11 - DESIGNATED FUND BALANCE

The Village has designated \$ 20,000 as a contribution for Sea Ranch Lakes Beach Club, Inc. (Note 8) landscaping.

**OTHER  
FINANCIAL INFORMATION**

**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUND -**  
**SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY**  
 September 30, 2009

<u>Function and Activity</u>	<u>Construction in Progress</u>	<u>Infrastructure</u>	<u>Furniture and Equipment</u>	<u>Improvements Other Than Buildings</u>	<u>Total</u>
TRANSPORTATION	\$ -	\$ 1,049,611	\$ -	\$ 16,520	\$ 1,066,131
PUBLIC SAFETY	-	-	111,753	28,287	140,040
GENERAL GOVERNMENT	<u>2,750</u>	<u>-</u>	<u>25,619</u>	<u>42,545</u>	<u>70,914</u>
Total capital assets by function and activity	<u>\$ 2,750</u>	<u>\$ 1,049,611</u>	<u>\$ 137,372</u>	<u>\$ 87,352</u>	<u>\$ 1,277,085</u>

**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUND -**  
**SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY**  
 September 30, 2009

<u>Function and Activity</u>	<u>Capital Assets October 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Capital Assets September 30, 2009</u>
TRANSPORTATION	\$ 1,066,131	\$ -	\$ -	\$ 1,066,131
PUBLIC SAFETY	140,040	-	-	140,040
GENERAL GOVERNMENT	<u>41,452</u>	<u>29,462</u>	<u>-</u>	<u>70,914</u>
Total capital assets	<u>\$ 1,247,623</u>	<u>\$ 29,462</u>	<u>\$ -</u>	<u>\$ 1,277,085</u>

**OTHER REPORTS OF  
INDEPENDENT AUDITORS**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

To the Honorable Mayor and  
Members of the Village Council  
Village of Sea Ranch Lakes, Florida

We have audited the financial statements of the governmental activities and major fund of Village of Sea Ranch Lakes, Florida (the "Village"), as of and for the year ended September 30, 2009, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated April 28, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Village of Sea Ranch Lakes, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Sea Ranch Lakes, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Village of Sea Ranch Lakes, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Village of Sea Ranch Lakes, Florida's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Village of Sea Ranch Lakes, Florida's financial statements that is more than inconsequential will not be prevented or detected by Village of Sea Ranch Lakes, Florida's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting (2006-1).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Village of Sea Ranch Lakes, Florida's internal control.

Village of Sea Ranch Lakes, Florida

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Sea Ranch Lakes, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to the management of the Village on page 29.

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Village's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Village management, members of the Village Council, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
April 28, 2010



**KEEFE, McCULLOUGH & CO., LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITORS' REPORT TO VILLAGE MANAGEMENT**

To the Honorable Mayor and  
Members of the Village Council  
Village of Sea Ranch Lakes, Florida

We have audited the financial statements of Village of Sea Ranch Lakes, Florida (the "Village"), as of and for the year ended September 30, 2009, and have issued our report thereon dated April 28, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters and Schedule of Findings and Responses. Disclosures in those reports, which are dated April 28, 2010, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of prior year findings or recommendations is documented in the schedule of findings and responses on page 29.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Village of Sea Ranch Lakes, Florida complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, our recommendations are included in the schedule of findings and responses on page 30.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.



Village of Sea Ranch Lakes, Florida

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

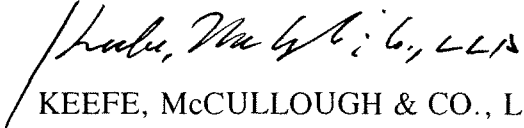
Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Village of Sea Ranch Lakes, Florida was established in 1959 under the provision of Chapter 59-1858 of the laws of the State of Florida. The Village does not have any component units.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Village for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
April 28, 2010

**VILLAGE OF SEA RANCH LAKES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Year Ended September 30, 2009

**STATUS OF PRIOR YEAR FINDINGS**

The following findings were noted in connection with the audit of the basic financial statements for the years ended September 30, 2009 and 2008, as noted in the auditors' comments and recommendations, dated March 12, 2008 and March 19, 2009. The status of these findings is based on the update completed in connection with the audit of the basic financial statements for the year ended September 30, 2009:

	<u>STILL APPLICABLE</u>	<u>IMPLEMENTED OR NO LONGER RELEVANT</u>
06-01 Segregation of duties	X	
08-01 Maintenance of W-4 forms		X
08-02 Maintenance of general ledger	X	

**SIGNIFICANT DEFICIENCIES**

**2006-1 Segregation of duties:**

The size of the Village's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation requires that the Village Council remain heavily involved in the financial affairs of the Village to provide oversight and independent review functions.

**Management's response:**

As stated, the Village has only one administrative employee, making segregation of duties virtually impossible. The Council member/Finance Director will continue to maintain oversight over the Village Clerk and will present detailed analysis to the entire Council on a monthly basis after reviewing the financial statements and books. We have asked the bank to forward monthly bank statements directly to the outside bookkeeping firm for reconciliation. They were previously sent to the Village Clerk who then forwarded them to the bookkeeping firm.

**OTHER MATTERS**

**2008-02 Maintenance of the general ledger:**

The classification of revenues and expenditures in the general ledger is inconsistent and requires reclassifying entries by the auditor. We recommend that the financial director and the Village Clerk put together a master listing of accounting codes with descriptions of what specific types of revenues and expenditures should be coded to each.

**Management's response:**

The Village will assemble a master list of account codes with explanations for what should be charged to each revenue and expense account to reduce the number of adjusting journal entries. In reviewing the reclassifying entries, it appears that our outside bookkeeping firm either incorrectly keyed or changed account numbers on the majority of those entries. We will meet with the bookkeeping firm to request that they exercise more care when posting entries submitted by the Village Clerk.