

Village of Sea Ranch Lakes, Florida

Basic Financial Statements
For the Year Ended September 30, 2020



Village of Sea Ranch Lakes, Florida

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Village of Sea Ranch Lakes, Florida (the "Village") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

CPA's + Trusted Advisors

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Village as of September 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The other financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2021, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
February 23, 2021

Our discussion and analysis of the 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, 2020 and 2019. 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, 2020:

- The Village's total assets exceeded its liabilities at September 30, 2020 by \$ 2,363,861 (net position).
- The Village's total revenues were \$ 1,996,982, \$ 1,802,660 from taxes, \$ 169,897 from charges for services, \$ 11,167 from operating grants and contributions, and \$ 13,258 from investment and miscellaneous income. The Village's expenses for the year were \$ 1,876,102.

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 position presents information on all the Village's assets, liabilities, and deferred outflows/inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the year. All changes in net position 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 8 and 9 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.

**Village of Sea Ranch Lakes, Florida
Management's Discussion and Analysis
September 30, 2020**

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.

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 10 through 15 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 16 through 23 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table provides a summary of the Village's net position as of September 30, 2020 and 2019:

Village of Sea Ranch Lakes, Florida Net Position		
	2020	2019
Current and other assets	\$ 1,220,511	\$ 1,018,383
Capital assets	1,265,403	1,328,712
Total assets	2,485,914	2,347,095
Current liabilities	103,806	89,459
Long-term liabilities	18,247	14,655
Total liabilities	122,053	104,114
Net position:		
Net investment in capital assets	1,265,403	1,328,712
Restricted	66,803	57,790
Unrestricted	1,031,655	856,479
Total net position	\$ 2,363,861	\$ 2,242,981

**Village of Sea Ranch Lakes, Florida
Management's Discussion and Analysis
September 30, 2020**

Governmental Activities: Governmental activities increased the Village's net position by \$ 120,880, as reflected in the table below:

Village of Sea Ranch Lakes, Florida Changes in Net Position		
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 169,897	\$ 168,944
Operating grants and contributions	11,167	12,717
General revenues:		
Property taxes	1,608,191	1,530,837
Intergovernmental revenues	130,753	139,528
Other taxes	63,716	63,933
Investment income	11,141	12,241
Miscellaneous	2,117	3,680
	<u>1,996,982</u>	<u>1,931,880</u>
Total revenues		
Expenses:		
Public safety	1,464,813	1,371,069
General government	227,225	216,249
Transportation	62,291	114,885
Physical environment	121,773	114,124
	<u>1,876,102</u>	<u>1,816,327</u>
Total expenses		
Change in net position	120,880	115,553
Net position, October 1	<u>2,242,981</u>	<u>2,127,428</u>
Net position, September 30	\$ <u><u>2,363,861</u></u>	\$ <u><u>2,242,981</u></u>

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, unassigned 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 unassigned fund balance at September 30, 2020 was \$ 1,094,287.

Capital Assets

The Village's capital assets, less accumulated depreciation, for its governmental activities as of September 30, 2020 amounts to \$ 1,265,403 which consists of infrastructure, improvements other than buildings, leasehold improvements, furniture & equipment, and computer equipment.

General Fund Budgetary Highlights

There were no amendments to the September 30, 2020 budget. Revenues were over the adopted budget while expenditures were under the adopted budget which created an overall \$ 167,641 favorable to budget variance.

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, occupational fees, and building permit fees. The budget for fiscal year 2021 is based on our best expectations of revenue totals from these sources and estimated expenses based on prior years' history and expected changes for the 2021 fiscal year. Ad-valorem taxes compose 84% of total revenues of which 90% is from residential real estate and 10% commercial property.

The Village Council and employees expect successful continued efforts in controlling costs while at the same time maintaining our satisfactory status with the mandated Federal and State operating standards and high level of services to the Village. Revenue from ad valorem tax is expected to increase which will add another 2.9% to next year's inflows. Expenditures are expected to increase approximately 3.6% while still keeping an expected surplus position.

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 Position
September 30, 2020

	<u>Governmental Activities</u>
Assets:	
Cash, cash equivalents and investments	\$ 1,196,083
Franchise taxes receivable	11,275
Due from other governments	7,629
Prepaid expenses	5,524
Capital assets:	
Depreciable, net	<u>1,265,403</u>
Total assets	<u>2,485,914</u>
Liabilities:	
Accounts payable	22,511
Accrued payroll liabilities	31,386
Current liabilities:	
Compensated absences	49,909
Long-term liabilities:	
Compensated absences	<u>18,247</u>
Total liabilities	<u>122,053</u>
Net Position:	
Net investment in capital assets	1,265,403
Restricted for:	
Road maintenance	66,803
Unrestricted	<u>1,031,655</u>
Total net position	<u>\$ 2,363,861</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, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Activities Net Revenues (Expenses) and Change in Net Position</u>
Functions/Programs:					
Governmental activities:					
Public safety	\$ 1,464,813	\$ 166,592	\$ -	\$ -	\$ (1,298,221)
General government	227,225	3,305	-	-	(223,920)
Transportation	62,291	-	11,167	-	(51,124)
Physical environment	<u>121,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(121,773)</u>
Total governmental activities	<u>\$ 1,876,102</u>	<u>\$ 169,897</u>	<u>\$ 11,167</u>	<u>\$ -</u>	<u>(1,695,038)</u>
General revenues:					
Taxes:					
Property taxes					1,608,191
Revenue sharing					63,716
Franchise taxes					56,972
Communication service taxes					31,392
Sales tax					42,389
Investment income					11,141
Miscellaneous					<u>2,117</u>
Total general revenues					<u>1,815,918</u>
Change in net position					120,880
Net position, October 1, 2019					<u>2,242,981</u>
Net position, September 30, 2020					<u>\$ 2,363,861</u>

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

Village of Sea Ranch Lakes, Florida
Balance Sheet - Governmental Fund
September 30, 2020

	General Fund
Assets:	
Cash, cash equivalents and investments	\$ 1,196,083
Franchise taxes receivable	11,275
Due from other governments	7,629
Prepaid expenditures	<u>5,524</u>
Total assets	<u>\$ 1,220,511</u>
Liabilities:	
Accounts payable	\$ 22,511
Accrued payroll liabilities	<u>31,386</u>
Total liabilities	<u>53,897</u>
Fund Balance:	
Nonspendable:	
Prepaid expenditures	5,524
Restricted for:	
Road maintenance	66,803
Unassigned	<u>1,094,287</u>
Total fund balance	<u>1,166,614</u>
Total liabilities and fund balance	<u>\$ 1,220,511</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 - Governmental Fund
 to the Statement of Net Position
 September 30, 2020

Total Fund Balance - Governmental Fund (Page 10) \$ 1,166,614

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund:

The cost of capital assets is	\$	2,213,773	
Accumulated depreciation is		<u>(948,370)</u>	1,265,403

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

Compensated absences		<u>(68,156)</u>	
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Net Position of Governmental Activities (Page 8) \$ 2,363,861

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, 2020

Revenues:

Property taxes	\$ 1,608,191
Intergovernmental revenue	148,664
Licenses and permits	165,076
Franchise taxes	56,972
Investment income	11,141
Fines and forfeitures	4,821
Miscellaneous	<u>2,117</u>
 Total revenues	 <u>1,996,982</u>

Expenditures:

Current:	
Public safety	1,419,669
General government	214,224
Physical environment	72,467
Transportation	62,291
Capital outlay	<u>31,258</u>
 Total expenditures	 <u>1,799,909</u>

Net change in fund balance 197,073

Fund Balance, October 1, 2019 969,541

Fund Balance, September 30, 2020 \$ 1,166,614

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 - Governmental Fund to the Statement of Activities
For the Year Ended September 30, 2020

Net Change in Fund Balance - Governmental Fund (Page 12) \$ 197,073

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	\$	31,258	
Less current year provision for depreciation		<u>(94,566)</u>	(63,308)

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 fund:

Change in compensated absences			<u>(12,885)</u>
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Change in Net Position of Governmental Activities (Page 9) \$ 120,880

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, 2020

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues:			
Property taxes	\$ 1,615,483	\$ 1,608,191	\$ (7,292)
Intergovernmental revenue:			
Revenue sharing - state	63,000	63,716	716
Florida sales and gas taxes	55,000	53,556	(1,444)
Communication service tax	40,000	31,392	(8,608)
Licenses and permits:			
Building permits	75,000	161,771	86,771
Occupational licenses	5,000	3,305	(1,695)
Franchise taxes	65,000	56,972	(8,028)
Investment income	10,000	11,141	1,141
Fines and forfeitures:			
Violations	3,500	4,821	1,321
Miscellaneous:			
Other	300	2,117	1,817
Total revenues	<u>1,932,283</u>	<u>1,996,982</u>	<u>64,699</u>
Expenditures:			
Public safety:			
Police salaries	935,580	892,001	43,579
Fire contract	227,500	223,408	4,092
Insurance	87,184	90,655	(3,471)
Payroll taxes	73,062	67,313	5,749
Police covered expenses	26,316	22,603	3,713
Building and fire inspectors	37,500	72,057	(34,557)
Building rental	32,000	31,399	601
Seminars and training	17,864	-	17,864
Vehicle expenses	21,545	11,834	9,711
Uniforms	8,600	8,399	201
Total public safety	<u>1,467,151</u>	<u>1,419,669</u>	<u>47,482</u>
General government:			
Village Clerk - salaries, insurance and payroll taxes	74,200	72,212	1,988
Building rental	32,000	31,400	600
Office and miscellaneous	30,500	27,543	2,957
Accounting and auditing	28,000	30,187	(2,187)
Legal fees and recorder	20,000	22,360	(2,360)
Maintenance and repairs	12,500	9,645	2,855
Contracted services	6,000	3,840	2,160
Telephone	25,000	17,037	7,963
Total general government	<u>228,200</u>	<u>214,224</u>	<u>13,976</u>

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, 2020

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Physical environment:			
Waste management	75,000	72,467	2,533
Total physical environment	<u>75,000</u>	<u>72,467</u>	<u>2,533</u>
Transportation:			
Right of way maintenance	45,000	29,354	15,646
Maintenance and repair	6,500	2,086	4,414
Electricity	7,000	6,528	472
Water	24,000	24,323	(323)
Total transportation	<u>82,500</u>	<u>62,291</u>	<u>20,209</u>
Capital outlay	<u>50,000</u>	<u>31,258</u>	<u>18,742</u>
Total expenditures	<u>1,902,851</u>	<u>1,799,909</u>	<u>102,942</u>
Net change in fund balance	\$ <u>29,432</u>	\$ <u>197,073</u>	\$ <u>167,641</u>

Note 1 - Summary of Significant Accounting Policies

Reporting entity: 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.

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 position, 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 position 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.

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.

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2020, the amount accrued in the government-wide financial statements was \$ 68,156.

Equity classifications:

Government-wide statements

- a. Net investment in capital assets - 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 position - consists of net position 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 position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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.

Fund statements

The Village follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Village classifies prepaid items and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Note 1 - Summary of Significant Accounting Policies (continued)

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Village Council (the "Council"). These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the Village's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to Village management through the budgetary process. The Village classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.

Unassigned: This classification includes the residual fund balance for the General Fund.

The Village would typically use restricted fund balances first, followed by committed fund balances, and then assigned fund balances.

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 classified as nonspendable in the governmental fund financial statements.

Capital assets: Capital assets, which include computer equipment, infrastructure, improvements other than buildings, leasehold improvements, 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 40 years.

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.

Deferred outflows/inflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village does not have any items that qualify for reporting in this category.

Note 1 - Summary of Significant Accounting Policies (continued)

Date of management review: Subsequent events were evaluated through February 23, 2021, which is the date the financial statements were available to be issued.

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.

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. At September 30, 2020, the Village’s fair value of its investments in Florida Prime was \$ 2,696.

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 Florida PRIME investment is exempt from GASB Statement No. 72, *Fair Value Measurement and Application* disclosure.

The Village had the following investments as of September 30, 2020:

Investment	Maturities	Fair Value
Florida PRIME	Weighted average days to maturity is 48 days	\$ 2,696
Money market account	Overnight sweep account	\$ 1,157,455

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 Poor’s.

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. As of September 30, 2020, the securities are held by a third party custodian.

Village of Sea Ranch Lakes, Florida
Notes to Basic Financial Statements
September 30, 2020

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 no 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, 2020, was as follows:

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
Governmental activities:				
Capital assets, being depreciated:				
Infrastructure	\$ 1,735,600	\$ -	\$ -	\$ 1,735,600
Furniture and equipment	242,106	15,414	-	257,520
Improvements other than buildings	160,511	3,922	-	164,433
Computer equipment	37,048	-	-	37,048
Leasehold improvements	7,250	11,922	-	19,172
	<u>2,182,515</u>	<u>31,258</u>	<u>-</u>	<u>2,213,773</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Infrastructure	613,931	43,390	-	657,321
Furniture and equipment	118,076	33,009	-	151,085
Improvements other than buildings	104,947	11,443	-	116,390
Computer equipment	15,361	5,844	-	21,205
Leasehold improvements	1,489	880	-	2,369
	<u>853,804</u>	<u>94,566</u>	<u>-</u>	<u>948,370</u>
Total accumulated depreciation				
Governmental activities capital assets, net	\$ <u>1,328,711</u>	\$ <u>(63,308)</u>	\$ <u>-</u>	\$ <u>1,265,403</u>

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

Governmental activities:	
Physical environment	\$ 49,306
Public safety	33,886
General government	<u>11,374</u>
	<u>\$ 94,566</u>

Note 5 - Long-Term Liabilities

The following is a summary of the changes in the long-term liabilities of the Village for the year ended September 30, 2020:

	Balance October 1, 2019	Additions	Retirements	Balance September 30, 2020	Due Within One Year
Compensated absences	\$ <u>55,272</u>	\$ <u>16,030</u>	\$ <u>3,146</u>	\$ <u>68,156</u>	\$ <u>49,909</u>

Note 6 - 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.

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, 2020.

For the year ending September 30, 2020, the Village matched forty cents for every one dollar of employee contribution to the 457 Plan subject to maximums authorized by the program. The total contribution made by the Village for the year ending September 30, 2020 was \$ 42,484.

Note 7 - Related Party

The residents of the Village 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 8 - Building Lease

The Village leases its administration and police office space from the Sea Ranch Lakes Beach Club, Inc. (Note 7). The monthly payments are approximately \$ 5,100. The \$ 62,799 rent expenditure for the year ended September 30, 2020 has been allocated equally between general government and public safety in the General Fund. The lease term at year end is through November 2023.

Note 8 - Building Lease (continued)

The following are approximate future lease payments in connection with the lease:

Year Ending September 30,		
2021	\$	62,800
2022	\$	62,800
2023	\$	62,800
2024	\$	10,200

Note 9 - Commitments and Contingencies

The Village previously amended its agreement with the City of Pompano Beach, Florida (“Pompano”) to provide EMS and fire services to the Village through September 30, 2033. In addition, Pompano 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 shall be subject to a percentage increase or decrease directly related to the increase or decrease in the Pompano Beach Fire and EMS annual budget for the upcoming fiscal year. Any increase or decrease to the Village shall not exceed 5% in any one fiscal year. During fiscal year 2020 the Village paid Pompano \$ 223,408 per the above agreement for EMS and fire services. For fiscal year 2021, the fee will increase 5% to \$ 234,578.

The Village has an agreement with Waste Management, Inc. of Florida through February 28, 2022 to provide it with solid waste and recyclable material collection services for a fee 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. The fee per unit as of October 1, 2020 is \$ 30.98. The agreement may be renewed by mutual consent of both parties for additional periods for three years.

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 10 - Risks and Uncertainties

The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the *World Health Organization* designated the coronavirus outbreak as a pandemic. Management and Members of the Village Council continue to evaluate and monitor the potential adverse effect that this event may have on the Village’s financial position, operations and cash flows. The full impact of COVID-19 is unknown at this time and cannot be reasonably estimated as these events are still developing.

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, 2020

<u>Function and Activity</u>	<u>Infrastructure</u>	<u>Furniture and Equipment</u>	<u>Improvements Other Than Buildings</u>	<u>Computer Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Physical environment	\$ 1,735,600	\$ -	\$ 56,683	\$ -	\$ 7,250	\$ 1,799,533
Public safety	-	209,895	40,987	29,102	-	279,984
General government	-	47,625	66,763	7,946	11,922	134,256
Total capital assets by function and activity	\$ <u>1,735,600</u>	\$ <u>257,520</u>	\$ <u>164,433</u>	\$ <u>37,048</u>	\$ <u>19,172</u>	\$ <u>2,213,773</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
For the Year Ended September 30, 2020

<u>Function and Activity</u>	<u>Capital Assets October 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Capital Assets September 30, 2020</u>
Physical environment	\$ 1,799,533	\$ -	\$ -	\$ 1,799,533
Public safety	279,984	-	-	279,984
General government	<u>102,998</u>	<u>31,258</u>	<u>-</u>	<u>134,256</u>
Total capital assets	<u>\$ 2,182,515</u>	<u>\$ 31,258</u>	<u>\$ -</u>	<u>\$ 2,213,773</u>

OTHER REPORTS OF INDEPENDENT AUDITORS

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities and major fund of the Village of Sea Ranch Lakes, Florida (the "Village"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated February 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village’s financial statements are free from 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 financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
February 23, 2021

INDEPENDENT AUDITOR'S REPORT TO VILLAGE MANAGEMENT

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

Report on the Financial Statements

We have audited the financial statements of the Village of Sea Ranch Lakes, Florida (the "Village"), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated February 23, 2021.

Auditor's Responsibility

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.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 23, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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. There were no findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., 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.

Financial Condition and Management

Section 10.554(1)(i)5.a., and 10.556(7) Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not the Village has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Village. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
February 23, 2021

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415 FLORIDA STATUTES

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

We have examined the Village of Sea Ranch Lakes, Florida's (the "Village") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020. Management is responsible for the Village's compliance with the specific requirements. Our responsibility is to express an opinion on the Village's compliance with the specific requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Village complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Village complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Village's compliance with the specified requirements.

In our opinion, the Village complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

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

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
February 23, 2021

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