

Children's Service Council of Broward County, FL

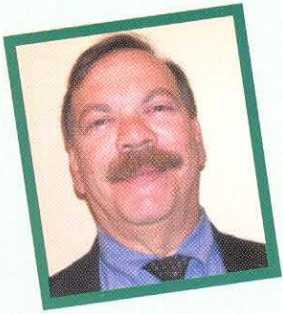
Comprehensive Annual Financial Report

For Fiscal Year Ending September 30, 2002



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Plantation, Florida 33317
www.cscbroward.org

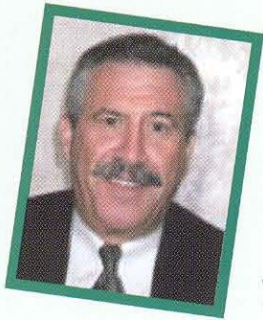
Council Members



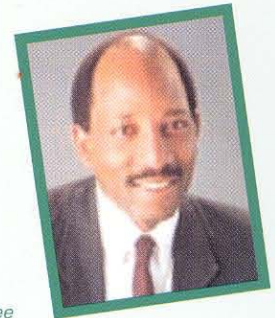
**Honorable
Lawrence L. Korda**
Chair, Judicial Member



**Honorable
Julie B. Koenig**
Governor Appointee



Jack L. Moss
Vice-Chair, DCF Administrator



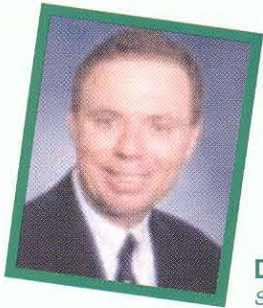
Gregory Durden
Esquire, Governor Appointee



Carole Andrews
Secretary, School Board Member



**Commissioner
Suzanne N. Gunzburger**
BC Commission Member



Dr. Frank Till
School Superintendent



Ana Valladares
Governor Appointee



Marti Huizenga
Governor Appointee



Laurie Sallarulo
Governor Appointee

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Children's Services Council Of Broward County, Florida

for the

Fiscal Year Ended September 30, 2002



Issued By:

Cindy J. Arenberg, President/CEO

Prepared By:

**Financial Management
Monti Larsen, Chief Financial Officer**



CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Comprehensive Annual Financial Report For The Year Ended September 30, 2002

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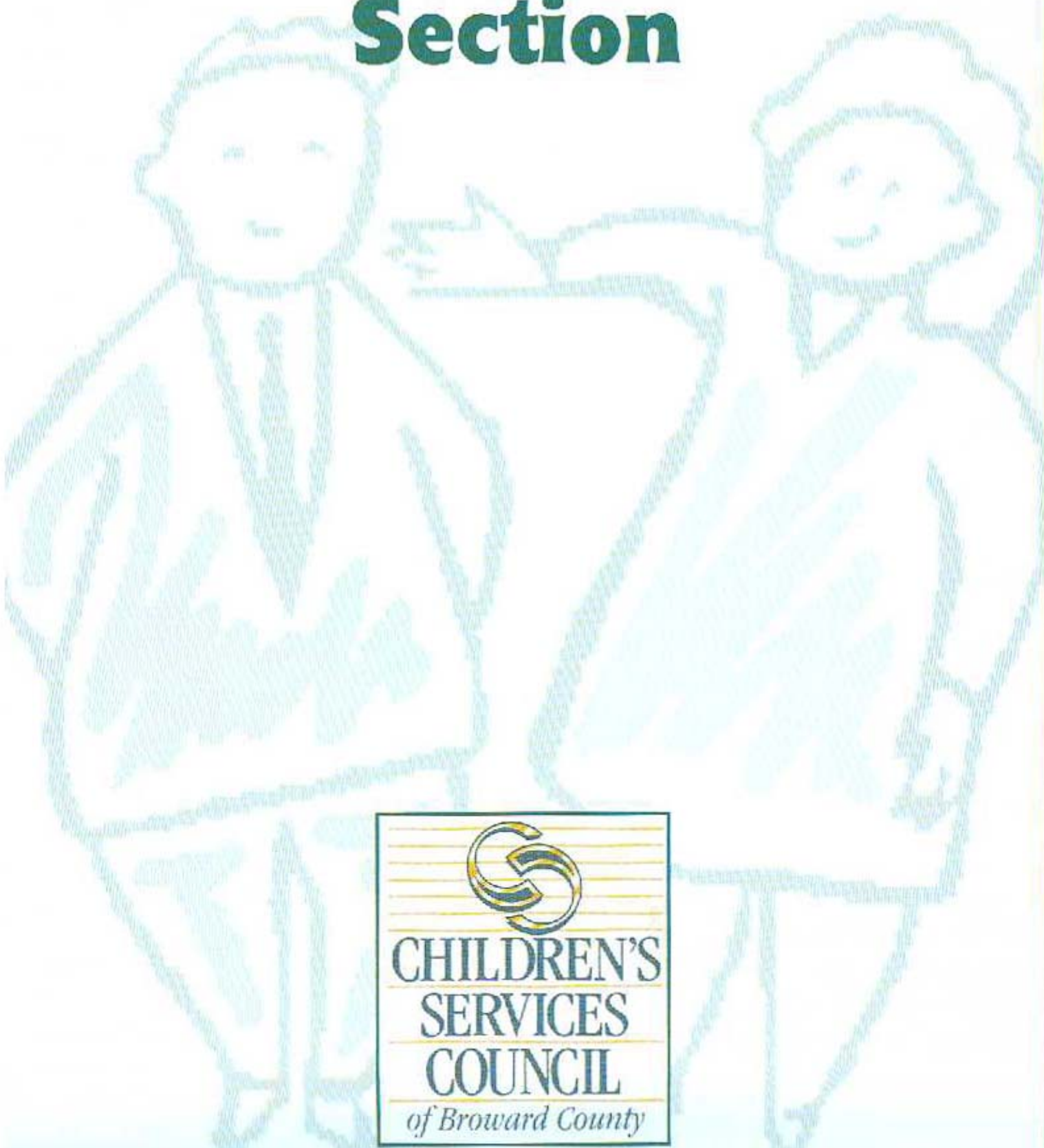
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Introductory Section





**CHILDREN'S
SERVICES
COUNCIL
MEMBERS:**

Honorable Lawrence L. Korda
Chair
Judicial Member

Jack Moss, Vice-Chair
DCF District Administrator

Carole Andrews, Secretary
School Board Member

Gregory Durden
Governor Appointee

Suzanne N. Gunzburger
County Commissioner

Marti Huiizenga
Governor Appointee

Honorable Julie B. Koenig
Governor Appointee

Laurie J. Sallarulo
Governor Appointee

Dr. Frank Till
School Superintendent

Ana M. Valladares
Governor Appointee

STAFF

Cindy J. Arenberg
President/CEO

LEGAL COUNSEL

John M. Milledge

Garry W. Johnson

January 16, 2003

Members of the Children's Services Council
of Broward County
351 N. State Road 7, Suite 200
Plantation, Florida 33317

Dear Council Members:

In the spirit of stewardship, we respectfully submit the Comprehensive Annual Financial Report of the Children's Services Council of Broward County ("Council") for the fiscal year ended September 30, 2002. Florida Statutes require that we prepare our financial statements in conformance with United States Generally Accepted Accounting Principles ("GAAP") and that an external audit be performed by an independent certified public accounting firm in accordance with generally accepted auditing standards. This report, presented in four sections: Introductory, Financial, Statistical, and Internal Control and Compliance, is the primary method of reporting the Council's financial activities and satisfies those requirements.

The Introductory Section contains an overview of the Council's economic performance, a review of current initiatives, and summary financial data. The Financial Section contains Management's Discussion and Analysis, Government-wide Financial Statements, Fund Financial Statements for Governmental funds. The Financial Section also includes the Notes to the Financial Statements, and Required Supplementary Information. The Statistical Section contains selected financial and demographic information. The Internal Control and Compliance Section contain the reports and schedules related to the Single Audit.



Management's Assertion

Responsibility for the integrity, objectivity, accuracy, completeness and fairness of presentation of these financial statements rests with management. The financial statements were prepared in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") for governmental entities. The financial information is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and operating results for the Council, on a Government-wide and Fund basis. This report includes all disclosures necessary to enable the reader to gain an understanding of the financial affairs of the Council.

Internal Controls

Management is responsible for maintaining an internal control framework that is designed to protect the Council's assets from loss, theft, or misuse. The concept of reasonable assurance recognizes that the cost of a control should not exceed the expected benefits, and evaluation of costs and benefits requires management's estimates. The Council Members and management have a plan of organization and policies in place to safeguard assets, validate the reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies and procedures. We believe these existing internal accounting controls adequately safeguard assets and provide reasonable, but not absolute, assurance of proper recording and reporting of the Council's finances.

Independent Auditor

The Council's financial statements have been audited by Nowlen, Holt and Miner, P.A., a firm of licensed certified public accountants selected by the Council Members on December 20, 2001. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Children's Services Council for the fiscal year ended September 30, 2002 are free of material misstatement. The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Council's financial statements for fiscal year ended September 30, 2002, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the Council's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. This federal requirement is the result of receiving federal grants from the Department of Health Kid Care Insurance program and the Temporary-Assistance-for-Needy-Families ("TANF") grants. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the Council's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in section 4 of this report.

U.S. Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter is designed to complement the MD&A and should be read in conjunction with it. The Council's MD&A can be found immediately following the report of the independent auditors.

CSC Profile

The Children's Services Council of Broward County ("CSC" or (Council)) was approved by the voters of Broward County by special referendum September 5, 2000. Consequently, the Council was established as an Independent Special Taxing District January 1, 2001 by state statute (Ch 2000-461 Laws of Florida). The first Members of the Council were appointed March 2001 and operations officially began July 2001 with the hiring of the CEO/President and Chief Financial Officer.

The ten member Council is comprised of five (5) individuals recommended by the Broward County Board of County Commissioners and appointed by the Governor and five (5) members appointed by virtue of the office or position they hold within the community. After the initial two year period ending November 2002, the Council members will have staggering four year terms. The Council Members are responsible for setting policies and prioritizing programs affecting children. Each member brings an understanding of the diverse and multi-cultural needs of the Broward community and a firm commitment to improving the welfare of children and their families.

The Council is contiguous with Broward County, one of the fastest growing counties in Florida. The primary purpose of the Council is to provide leadership, advocacy, and resources necessary to enhance children's lives and empower them to become responsible, productive adults through collaborative planning of a continuum of quality care. To accomplish this task, the statute allows for the Council to levy taxes up to .5 mills of the assessed property tax value.

The Council is not a component unit of any other governmental unit nor does it meet the criteria to include any governmental organization as a component unit.

Beginning Operations

The birth of the CSC as a viable organization is a true demonstration of County-wide collaboration. Since no start-up funding was provided in the statute and there was no tax revenue as yet, the Broward County Board of County Commissioners very graciously provided the Council with a \$500,000 line of credit for start-up costs, staff support and legal counsel. This enabled the Council to move quickly toward analyzing the needs of the community, creating an operational structure developing goals and objectives, and establishing a budget and related millage rate.

In October 2001, within four months of its organization, the Council issued its first competitive Request for Proposals (“RFP”) -- making \$4 million available for Family Strengthening programs to reduce the incidence of child abuse and neglect based on national best practice models. During this first full year of operations, the Council went on to issue an additional 3 competitive procurement RFP instruments, as well as 5 exempt procurement contracts for a total program services budget of \$7.7 million. This report represents the first full fiscal year of operations.

Budget and Fiscal Policy

The annual budget serves as the foundation for the Council’s financial planning and control. Council Members held a retreat in May, 2002 to review and refine the goals and objectives for the upcoming year. The County-wide Children’s Strategic Plan, coupled with public comment and staff recommendations are the basic building blocks used in developing and refining the Council’s upcoming goals and objectives.

By statute, the Council must submit a tentative budget and millage rate to the Broward Commission by July 1st. Once the final property tax values are determined by the Property Appraiser’s Office, the Council must hold two public hearings in September as required under the Truth-in-Millage (“TRIM”) Act. Each year, following the required disclosures and the conduct of hearings for taxpayer comment, the Council Members set the tax rates and adopt a budget. The budget is prepared by function and transfers of appropriation between programs require Council Member approval. Budget-to-Actual comparisons are provided in this report in the Financial Section. Encumbrance accounting is used to reserve budgeted appropriations for obligations incurred but not yet received. All encumbrances lapse at year end.

Cash Management

The cash position is sustained by our prudent and conservative investment policy. Cash not currently needed for operations is placed with the Florida Local Government Surplus Funds Trust Fund Investment Pool until the cash is needed for spending.

Risk Management

The Council carries insurance policies within varying limits for workers' compensation, commercial insurance and directors and officer's liability. All premium expenditures are reported in the General Fund. There have not been any claims made on any of the policies. The Council participates in a third party health care program for the employees.

Risk control procedures have been established to reasonably assure that the Council's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control procedures have been established to reduce possible losses to property owned or under the control of the Council. A Committee has been established to develop general office and fire safety procedures.

Economic Conditions and Outlook

South Florida is a wonderful place to live, work and raise a family. Although the economic conditions in Broward County mirrored the rest of the country during the past year subsequent to 9/11, predictions indicate that the local economy will rebound faster than average. Unemployment for July 2002 was 5.7%, down from 6.0% in June and 6.2% in January 2002. According to Broward County Planning Services Division, the number of unemployed has grown since March 2001 (the official start of the current recession); however, the number of employed residents had a greater increase.

The County's tourism rate has not decreased as significantly as originally feared after the tragic events of 9/11 when the country stopped traveling. While tourism is down slightly from record-breaking levels set last year, the Greater Fort Lauderdale Convention and Visitors' Bureau estimates that by the end of September 2002 the decrease will be about 7% - substantially improved from the original estimate of a 15% drop.

Reflecting similar trends throughout the country, Broward County's exuberant housing market is a direct result of the continuing low interest rates. Based on projections for the remaining year, more than 12,800 housing permits may be issued in 2002. This would be the highest number of permits since the 1997 figure of 12,981. These permits are split almost evenly between single- and multi-family units.

In conclusion, while the near-term economic outlook may appear uncertain, basic indicators including: projected annual population growth of 1.9% to 2% over the next 5 years; the improving employment numbers; the strength in housing; low inflation, interest rates and tax rates; as well as proposed private investment and planned county-wide infrastructure improvements, points to a strong, long-term resurgence in Broward County's economic vitality. Considering these long-term economic indicators and Broward County's most treasured assets - sun and sand, Broward County remains a stable and viable economic base which provides a good place to live and raise a family.

Major Initiatives

The Council had a very successful first year and is looking forward to a very busy productive second year. First year achievements include:

- ◆ Released first competitively bid RFP in October 2001 for Family Strengthening and funded approximately \$3 million in services.
- ◆ Met community needs for additional Summer programs by \$4 million worth of services for nearly 10,000 children.
- ◆ Partnered with the Department of Children and Families in sponsoring a campaign to recruit foster and adoptive parents.
- ◆ Collaborated with the County and School District to help fund School Nurses in several schools based on economic need of the student body.
- ◆ Participated in a 9:1 match with the State of Florida Department of Health and Workforce One to conduct an outreach program called Kid Care. This program helps fund insurance for children whose families cannot afford coverage.

The Council's budget for fiscal year 2002-2003, the second fiscal year, is \$38.8 million, an increase of 63.05 percent. This will allow for the expansion of many programs that were begun during the first fiscal year. In addition to increasing first year programs, there are an additional five competitive RFP's planned to expand or create new services and programs that are not currently available in Broward County in order to meet the ever growing needs of children and their families. These new programs include juvenile diversion, behavioral health, maximizing out-of-school time, and summer programs, as well as smaller programs addressing issues such as the digital divide, school readiness and drowning prevention.

The Council is very excited at implementing a systematic approach in order to track contractual data, outcomes and other related data for our increasing number of contracts. The System of Activities and Management Information System ("SAMIS") is a web-enabled data base that will maintain provider data and measure outcomes to identify those programs that are most effective. This will enable the Council to fund services and programs based on best practices in order to get the "best bang for the buck".

In addition to its service related goals, the Council developed four system goals designed to help organize the fractured child and family serving community into a system of care. A major component of that system change is the stewardship of the community-wide Children's Strategic Plan.

Certificate of Achievement for Excellence on Financial Reporting

Since this is the Council's first complete fiscal year, this is the first year that the Council will submit to the Government Finance Officers Association of the United States and Canada ("GFOA") for a Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report for the fiscal year ended September 30, 2002. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

Acknowledgments

We extend our sincere appreciation to the Council employees who provide countless hours of research and preparation in the production of this report. Special thanks go to the Council Members for their support.

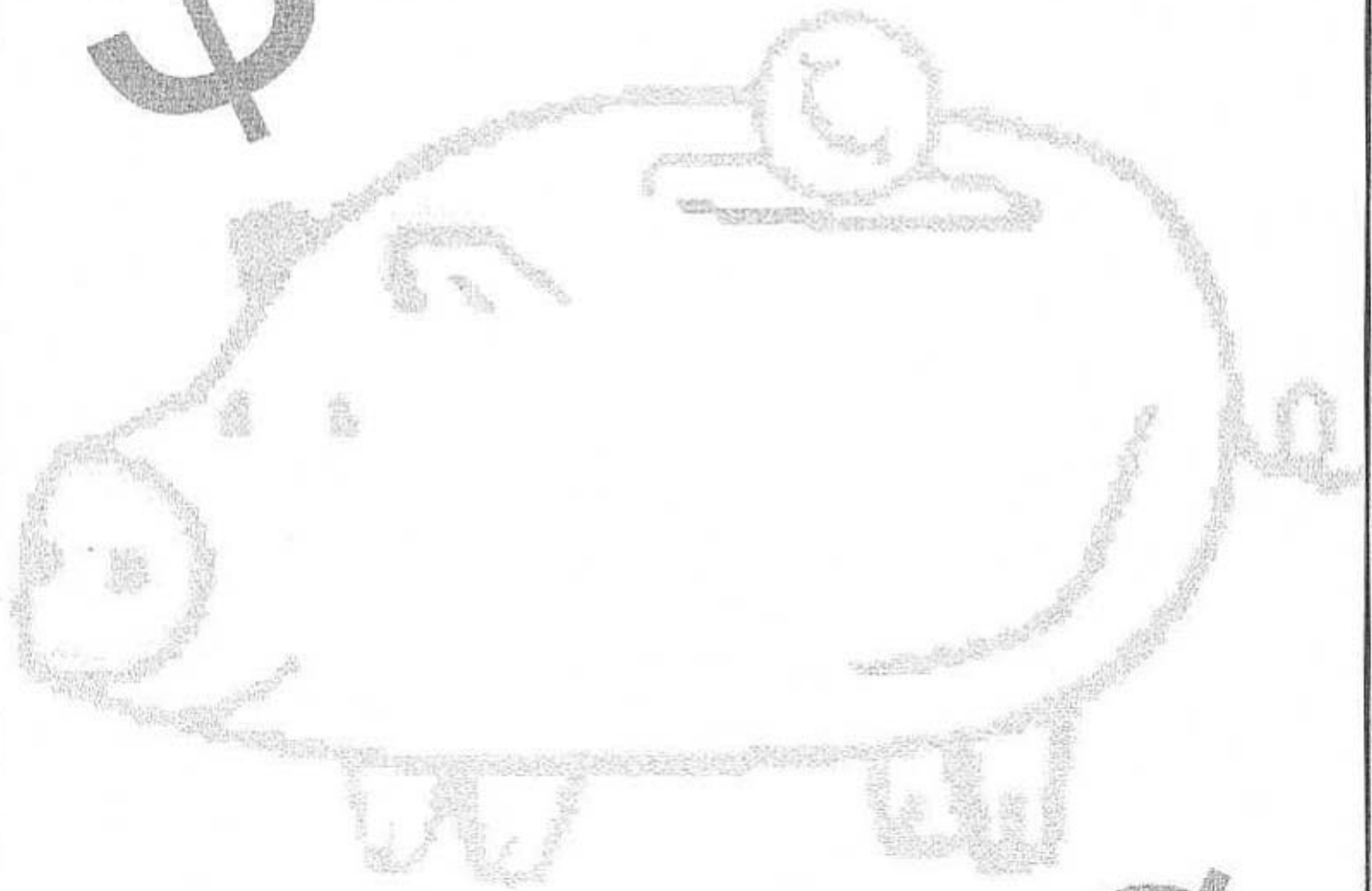
Respectfully Submitted,

Cindy J. Arenberg,
President/CEO

Monti Larsen,
Chief Financial Officer



Financial Section



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NOWLEN, HOLT & MINER, P.A.

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To the Board Members of Children's Services Council
of Broward County
Plantation, Florida

We have audited the accompanying general purpose financial statements of the Children's Services Council of Broward County as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Children's Services Council of Broward County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Children's Services Council of Broward County as of September 30, 2002, and the results of its operations and the cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2003, on our consideration of the Children's Services Council of Broward County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Children's Services Council of Broward County taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit*, and is not a required part of the general-purpose financial statements of the Children's Services Council of Broward County. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Newlin, Holt + Menier P.A.

January 16, 2003

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Management's Discussion and Analysis September 30, 2002

Our discussion and analysis of Children's Services Council of Broward County ("Council") or ("CSC") financial performance provides an overview of the Council's financial activities for the fiscal year ended September 30, 2002. Please read it in conjunction with the transmittal letter on page i and the Council's financial statements, which begin on page 13.

U.S. Generally Accepted Accounting Principles ("GAAP") do not require the Council to restate its fiscal year 2001 financial statements. However, the fiscal year 2001 Net Assets has been restated for the implementation of the Governmental Accounting Standards Board's Statement No. 34 ("GASB 34"), "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments".

FINANCIAL HIGHLIGHTS

Since this was the first full year of operations, the Council's net assets were established through the initial tax levy. The following illustrates some of the Council's financial highlights:

- ◆ Levied taxes through the TRIM process. The initial millage rate was set at .3055 mills, which established a \$23.5 million budget to launch operations.
- ◆ The assets of the Council exceeded its liabilities at the close of the current fiscal year by \$16.8 million (net assets). Of this amount, \$16.5 million (unrestricted net assets) may be used to meet the Council's ongoing obligations to citizens and creditors.
- ◆ The total cost of the Council's program services in the first year of operations was \$7.7 million. This included start-up for the annualized programs and represents approximately six months of operations. Of this amount, \$4 million was expended for Summer Programs to help meet the community's need for these services.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Management's Discussion and Analysis September 30, 2002

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 15) provide information about the activities of the Council as a whole and present a longer-term view of the Council's finances. Fund financial statements begin on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Council's operations in more detail than the government-wide statements by providing information about the Council's most significant funds. The notes to the financial statements (on pages 21 – 32) provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements, and is required by the U.S. Generally Accepted Accounting Principles. This report also contains other supplementary information in addition to the basic financial statements on page 34.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Council's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Furthermore, for financial reporting purposes, the Council is considered a special-purpose government engaged in a single governmental program. As such, the Statement of Activities is presented utilizing the alternative format presenting a single column that reports expenses first followed by revenues.

The *Statement of Net Assets* presents information on all of the Council'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 Council is improving or deteriorating.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Management's Discussion and Analysis September 30, 2002

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

These two statements report the Council's net assets and changes in them. You can think of the Council's net assets—the difference between assets and liabilities—as one way to measure the Council's financial health, or financial position. Over time, increases or decreases in the Council's net assets are one indicator of whether its financial health is improving or deteriorating. You will; however, need to consider that the Council is just beginning operations and it will require a few years of full business cycles in which to develop fiscal trends to gauge financial health. Other non-financial factors, such as changes in the Council's property tax base, will also, over time, help to assess the overall financial health of the Council.

In the Statement of Activities, we divide the Council into two kinds of activities: Program Services and General Administration. Program Services category includes expenses that directly affect provider agency contracts and the related support to manage these contracts. The General Administration grouping is self-explanatory and includes those common support expenses.

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 Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council are categorized as governmental funds.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Management's Discussion and Analysis September 30, 2002

Governmental funds — All of the Council's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Council's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Council's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the end of the related fund financial statement.

While some funds are required to be established by State law, currently the Council only uses the General Fund as defined by the Governmental Accounting Standards Board ("GASB"). The General Fund is used to account for all financial resources except those required to be reported in another fund.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 21 to 32 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The individual fund statements with budget to actual are found on page 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Given that the Council began full scale operations during the fiscal year ending September 30, 2002, the data is not available to present comparative financial information. Thus, this year's financial statement presentation will only include financial information for the fiscal year ending September 30, 2002.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Management's Discussion and Analysis September 30, 2002

Next year, data will be available to present comparative analysis for all of the financial statements.

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Council's first full year of generating tax revenue, assets exceeded liabilities by \$16.8 million at the close of the fiscal year. Since this is an inaugural year and as explained below, the sizeable amount of net assets will not remain at this level in subsequent years as program services become fully operational. Thus, a reduction of net assets in subsequent years is not necessarily an indication of the Council's deteriorating financial condition.

The change in net assets from last fiscal year to this fiscal year was an increase of \$17 million. Further analysis reveals that by far the largest portion of the Council's net assets (\$15.3 million or 91 percent) reflects cash and investments. In addition, the amount of \$2.4 million in "Due From Other Governments" category represents grants that the Council was awarded through the State of Florida Department of Health and the Temporary-Assistance-for-Needy-Families ("TANF") initiative. These grants helped the Council to provide additional services to the community that was previously unavailable.

For instance, the Department of Health provided a 9:1 match for the Council to offer outreach services and eligibility assistance to families for the state sponsored Kid Care Insurance program. The TANF grant reimbursed the Council for \$2 million worth of services provided to TANF-eligible families by strengthening child care and summer programs. The Council was eligible for this grant as a result of providing \$1 million to the agency designated to implement a privatized system of foster care and family preservation services.

The Council has total current liabilities of \$1.3 million comprised primarily of accounts payable and salaries and fringe benefits payable. The non-current liability is compensated absences. Furthermore, the Council is prohibited per Florida State Statute from issuing any type of debt instrument including the issuance of bonds of any nature.

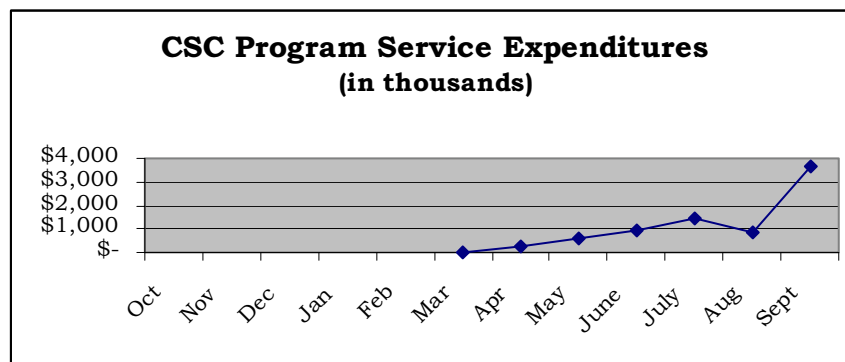
The Council had unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints, enabling legislation, or other legal requirements—in the amount of \$16.5 million at the end of this year. Unrestricted governmental net assets arose primarily because of the timing of procuring provider services, while ensuring due process and maintaining a high level of accountability to the taxpayers of Broward County.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Management's Discussion and Analysis September 30, 2002

To illustrate:

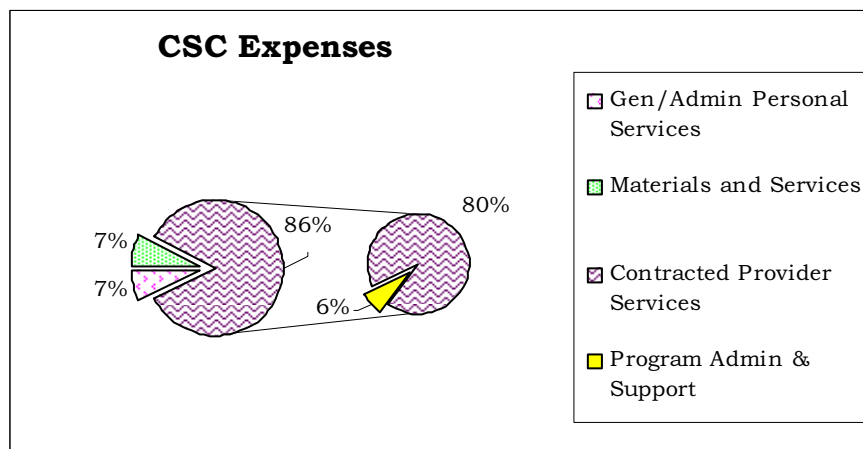
- ◆ During the Council's inaugural year, the process for issuing competitive Request's for Proposals ("RFP") and subsequent contract awards to the various agencies and programs took several months. The Council's first RFP for Family Strengthening services was issued at the end of October, 2001 followed by 13 contract awards negotiated and executed during the month of January, 2002.
- ◆ Once the awards and related contracts were completed, eight to ten week start-up periods are permitted for provider agencies to gear up operations, i.e., hire and train the appropriate staff for implementation of "Best Practice" program models before services to families actually begin.
- ◆ Once services were in place in April and May 2002, expenditures began slowly with steady increases that reflected full operations toward the end of the fiscal year. Most of the agencies were granted renewable contracts for up to 3 years, so that expenditures will reflect full operations in the subsequent renewal periods.
- ◆ Additional RFP's, as well as sole source contracts, were also authorized during the fiscal year and most followed the same operational timeline for start-up, hiring and training, and therefore the same lag time for services-related expenditures to reach full operational status. An exception; however, was the Summer Programs, as they expended their resources quickly with a ten week curriculum and less intensive start-up and training periods.



CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Management's Discussion and Analysis September 30, 2002

CSC's total general revenues were \$26.8 million. The primary source of general revenues is Ad Valorem taxes, which comprise \$23.9 million or 89% of the total revenues, while revenue from grants is \$2.5 million or 9%. The total cost of program services was \$7.7 million and an additional \$616 thousand or 6% for program administration and support. The Council expended \$1.4 million or 14% on general and administrative costs. The illustration below depicts the total CSC expenses, by percentage, for fiscal year ended September 30, 2002.



Our analysis below separately considers the operations of governmental activities.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUND

As the Council completed its first full year of operations, the governmental funds (as presented in the balance sheet on page 14) reported a total fund balance of \$14.6 million. Included in the fund balance is \$30,136 and \$1 million reserved for Prepaid Expenditures and Grant Commitments, respectively. The term "reserve" should only be used to identify that portion of fund balance segregated for future purposes or not available for finance expenditures of subsequent years.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Management's Discussion and Analysis September 30, 2002

Designated amounts are not the same as reservations of fund balance as they represent planned actions, not an actual commitment. Accordingly, \$8.5 million is designated for the subsequent year's budget; thereby, effectively reducing the necessary millage rate for fiscal year 2002-2003. An additional designation of fund balance includes \$723,644 for Contingency that the Council Members may appropriate as deemed necessary. This leaves a remaining undesignated fund balance of \$4.6 million.

The Council prepares budget amendments over the course of the year allocating appropriations from one line item to another to prevent budget overruns. Actual charges (expenditures) to appropriations (budget) were \$12.7 million below the final budget amounts.

The most significant positive variance (\$12 million) occurred in Contract Provider Services reflected in the Council's general government Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual found on page 29. This variance, as explained above, is due to the necessary time-consuming period in which the process of researching best practices and conducting the RFP procedure is utilized, followed by the implementation of new programs by provider agencies and the eventual client build-up through the referral process.

Alternatively, resources available for appropriation (revenues) were \$1.3 million above the final budgeted amount. This positive variance was a result of the following: tax collections that were higher than predicted; and interest and grant revenue amounts that were not previously known and therefore could not be budgeted.

TOTAL ASSETS and OTHER OBLIGATIONS

At the end of fiscal year 2002, the Council had \$266,245 invested in capital assets. These assets are primarily the computer hardware and related software needed to begin operations.

CSC's fiscal-year 2003 capital budget calls for expenditures of \$378,000 for capital outlay, principally for computer hardware and software as the Council's needs grow. More detailed information about the Council's policies concerning capital assets is presented in Note 2 of the Notes to the Financial Statements.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Management's Discussion and Analysis September 30, 2002

As presented in the Notes to the Financial Statements No. 10, the Council purchases commercial insurance for property and casualty claims. Other obligations include accrued vacation pay and sick leave. More detailed information about the Council's long-term liabilities is presented in Note 2 of the Notes to the Financial Statements.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET and TAX RATES

The Council Members considered many factors when setting the fiscal-year 2003 budget and tax rates. One of those factors is the economy.

While a review of the economic data indicates that the local economy is now recovering, the Council members were very cautious in raising tax rates. Recent events, such as the closing of a local company employing highly skilled computer workers, were considered before raising the tax rates. However, such economic data is also indicative of an expected increase in demand for Council-funded services.

Unemployment in the greater Fort Lauderdale/Miami region now stands at 5.8 percent versus 5.9 percent a year ago. This compares with the State's unemployment rate of 5.2 percent and the national rate of 6.0 percent.

Inflation in the greater Fort Lauderdale/Miami region continues to be somewhat higher than the national Consumer Price Index (CPI) increase. The region's CPI increase was 3.1 percent for the calendar year compared with the average U.S. city rate of 2.8 percent. Inflation has been higher here due in part to residential housing market and energy price increases in 2001-2002.

Currently, the Council is afforded a degree of flexibility on how the budget is developed given that it is a newly created organization which has not yet reached the maximum millage rate of .5 mills. This permits the Council to research and analyze the needs of Broward's children and their families and set the budget accordingly. However, once the dollars are committed and annualized for continuing children's services programs, the budget process may undergo some modifications in order to remain flexible to meet the community needs.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Management's Discussion and Analysis September 30, 2002

At present, program goals and objectives are shaped with the help of staff, input from the community, and the County-wide Children's Strategic Plan and the budget is developed around those identified service and system needs. As explained above, appropriations exceeded expenditures by \$12.7 million for fiscal year 2002. Thus, the Council members voted to carry-forward \$8.5 million of appropriations to meet the needs of the subsequent fiscal year. This allowed the Council members to lower the initially proposed millage rate of .3658 mills by .0342 mills, setting a final millage rate of .3316 for the 2002-2003 fiscal year.

REQUESTS FOR INFORMATION

This financial report has been designed to provide Broward County's citizens, taxpayers, customers, and creditors with a general overview of CSC's finances and to show CSC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at 351 N. State Road 7, Suite 200, Plantation, Florida 33317 or visit our website at: www.cscbroward.org.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Statement of Net Assets
September 30, 2002

	<u>Total Governmental Activities</u>
ASSETS	
Current Assets:	
Cash	\$ 2,104,231
Investments	13,209,804
Taxes Receivable	49,914
Accounts and Interest Receivable	45,047
Due from Other Governments	2,409,437
Prepaid Expenses	30,136
Other Assets:	
Capital Assets, Net of Accumulated Depreciation:	
Equipment	20,015
Computer Hardware/Software	246,230
Total Capital Assets, Net	<u>266,245</u>
Total Assets	<u>18,114,814</u>
LIABILITIES	
Accounts Payable	1,182,019
Salaries and Fringe Benefits Payable	79,194
Noncurrent Liabilities:	
Compensated Absences	79,878
Total Liabilities	<u>1,341,091</u>
NET ASSETS	
Investment in Capital Assets	266,245
Unrestricted	16,507,478
Total Net Assets	<u><u>\$ 16,773,723</u></u>

Notes to the Financial Statements are an integral part of this statement



CHILDRENS SERVICES COUNCIL OF BROWARD COUNTY
Statement of Activities
For the Year Ended September 30, 2002

Expenses:

Program Services:	
Contracted Provider Services	\$ 7,741,217
Program Administration & Support	616,105
Total Program Services Expenses	<u>8,357,322</u>
General Administration:	
Personal Services	719,589
Materials and Services	713,743
Total General Administration Expenses	<u>1,433,332</u>
Total Expenses	<u><u>9,790,654</u></u>

General Revenues:

Property Taxes	23,925,608
Investment earnings	313,098
Grants	2,455,912
Miscellaneous Local	112,248
Total General Revenues	<u>26,806,866</u>
Change in Net Assets	17,016,212
Net Assets - Beginning of the Year	<u>(242,489)</u>
Net Assets - Ending of the Year	<u><u>\$ 16,773,723</u></u>

Notes to the Financial Statements are an integral part of this statement

CHILDRENS SERVICES COUNCIL OF BROWARD COUNTY
Balance Sheet - Governmental Funds
September 30, 2002

	General
ASSETS	
Current Assets:	
Cash	\$ 2,104,231
Investments	13,209,804
Taxes Receivable	49,914
Accounts and Interest Receivable	45,047
Due from Other Governments	409,437
Prepaid Expenditures	30,136
Total Assets	\$ 15,848,569
 LIABILITIES and FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 1,182,019
Salaries and Fringe Benefits Payable	79,194
Total Liabilities	1,261,213
 Fund Balance:	
Reserved for:	
Reserved for Prepaid Expenditures	30,136
Reserved for Grant Commitments	1,000,000
Unreserved/Designated for:	
Designated for Contingency	723,644
Designated for Subsequent Year's Budget	8,462,281
Undesignated Fund Balance	4,371,295
Total Fund Balance	14,587,356
Total Liabilities and Fund Balance	\$ 15,848,569

Notes to the Financial Statements are an integral part of this statement

CHILDRENS SERVICES COUNCIL OF BROWARD COUNTY
Reconciliation of the Governmental Funds
Balance Sheet To The Statement of Net Assets
September 30, 2002

Fund Balances - Total Governmental Funds \$ 14,587,356

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	380,589	
Less accumulated depreciation	<u>(114,344)</u>	266,245

Revenue is recognized when earned in the government-wide statements, regardless of activity. Governmental funds report based on modified accrual, i.e., both measurable and available.

TANF Grant		2,000,000
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds

Compensated absences		(79,878)
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Net Assets of governmental activities		<u><u>\$ 16,773,723</u></u>
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Notes to the Financial Statements are an integral part of this statement

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Statement of Revenues, Expenditures and
Changes In Fund Balance - Government Funds
For the Year Ended September 30, 2002

	General
Revenues:	
Ad Valorem Taxes	\$ 23,925,608
Interest on Investments	313,098
Miscellaneous Local	28,135
In-Kind Local Match	84,113
Federal through State	455,912
Total Revenue	24,806,866
Expenditures:	
Program Services:	
Contract Provider Services	7,741,217
Employee Salaries & Benefits	500,105
Material and Supplies	2,732
Printing and Advertising	9,207
Other expenditures	10,365
Total Program Services	8,263,626
General Administration:	
Employee Salaries & Benefits	671,335
Legal Fees	53,143
Auditors and Other Consultants	52,052
Materials and Supplies	28,899
Printing and Advertising	17,673
Other General Administration	109,072
Telecommunications	75,873
Other expenditures	38,613
Tax Collection Fees	117,479
Total General Administration	1,164,139
Capital Outlay:	
Computer Hardware/Software	385,990
Furniture/ Equipment	87,169
Remodeling/Renovations	1,121
Total Capital Outlay	474,280
Total Expenditures	9,902,045
Excess of Revenues over Expenditures	14,904,821
Beginning Fund Balance	(317,465)
Ending Fund Balance	\$ 14,587,356

Notes to the Financial Statements are an integral part of this statement

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Reconciliation of the Statement of Revenues,
Expenditures And Changes in Fund Balances
of Governmental Funds To The
Statement of Activities
September 30, 2002

Net Change in Fund Balances - Total Governmental Funds \$ 14,904,821

Amounts reported for governmental activities in the statement of net assets are different 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 assets	301,655	
Less current year depreciation	<u>(110,386)</u>	191,269

Governmental Funds report revenues when earned and available. However, in the Statement of Activities, revenues are recognized when earned, regardless of availability.

Program revenue - operating grants	2,000,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the Governmental Funds.

Change in long-term compensated absences	(79,878)
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Change in Net Assets of Governmental Activities	<u><u>\$ 17,016,212</u></u>
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Notes to the Financial Statements are an integral part of this statement



CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Notes to the Financial Statements

September 30, 2002

1. DESCRIPTION OF THE CHILDREN'S SERVICES COUNCIL

The Children's Services Council of Broward County ("Council") is a special independent taxing district authorized under Florida Law, Chapter 2000-461. The law became effective January 1, 2001 and is controlled by a governing board consisting of ten members. The ten member Council is comprised of five (5) individuals recommended by the Broward County Board of County Commissioners and appointed by the Governor and five (5) members appointed by virtue of the office or position they hold within the community. After the initial two year period ending November 2002, the Council members will have staggering four year terms.

The Children's Services Council is contiguous with Broward County. The Council Members bring to the Council an understanding of policies and programs affecting children, an understanding of the diverse and multi-cultural needs of the Broward community and a firm commitment to improving the welfare of children and their families. The mission of the Council is to provide leadership, advocacy, and resources necessary to enhance children's lives and empower them to become responsible, productive adults through collaborative planning of a continuum of quality care. That Mission provides the framework through which the Council's Vision will be achieved: "That all children in Broward County will have the opportunity to realize their full potential, their hopes and dreams, supported by a nurturing family and community".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements conform to U.S. Generally Accepted Accounting Principles ("GAAP") for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB") and other recognized authoritative sources. The more significant accounting policies are summarized in the following paragraphs.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Notes to the Financial Statements

September 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

a. Reporting Entity

The Council follows the standards promulgated by GASB Statement No. 14, the *Financial Reporting Entity*, to define the reporting entity. The financial statements include all operations over which the Council is financially accountable.

While the Council provides funding for various agencies, each agency is financially independent. The Council has no authority to appoint or hire management of the agencies nor does it have responsibility for routine operations of the agencies. Based upon application of these factors, the Council has concluded that it has no financial oversight responsibility for the various agencies and therefore, their financial statements are excluded from the reporting entity. The Council has not identified any component units and is not a participant in any joint ventures.

b. New Reporting Model

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Subsequent to the issuance of Statement No. 34, the GASB issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments – Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements entail new financial reporting requirements that are the most significant changes observed in over twenty years for governmental financial reporting. The Council has adopted the provisions of GASB Statement No. 34 and related statements for fiscal year ended September 30, 2002.

Under the new reporting model, the basic financial statements include both government-wide (based on full accrual accounting) and fund financial statements (modified accrual accounting).

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Notes to the Financial Statements

September 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

c. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Council. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely significantly on fees and charges for support. The Council does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental fund. Currently the Council only uses the General Fund.

d. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers property tax and other revenues to be available if they are collected within sixty days of the end of the current fiscal year.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Notes to the Financial Statements

September 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Property taxes and interest on investments are susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences is recorded only when a payment is due.

e. Major Funds

The Council reports the following governmental funds:

The General Fund is the Council's primary operating fund. It accounts for all financial resources of the Council. Currently, the Council only has the need for a General Fund.

f. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with U.S. Generally Accepted Accounting Principles ("GAAP"). The reported budgetary data represents the original and the final amended budgets as approved by the Council Members. The level of control at which expenditures may not legally exceed the budget is at the function level.

g. Cash and Investments

The Council utilizes pooled cash accounting whereby excess monies are aggregated for investment purposes. Florida Statutes authorize a variety of investments mechanisms; however, the Council places the majority of its investments with the Local Government Surplus Funds Trust Fund. This is a highly liquid investment pool available for investing temporarily idle cash by Florida governments and is managed by the State Board of Administration ("SBA"). In order to accommodate pool participants with readily available cash, a substantial portion of the portfolio is placed in short-term securities. According to the SBA, the pool meets the criteria to be considered a "2a-7 like", as defined by GASB Statement No. 31. Accordingly, the fund has been reported the same value as the pool shares allocated to the Council.

The Local Government Surplus Funds Trust Fund is governed by the rules of Chapter 19-7 of the Florida Administration code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Notes to the Financial Statements

September 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA.

During the year the Council did not directly invest any resources in derivatives. The state investment pool administered by the SBA contained certain floating rate notes during the 2002 fiscal year and as of September 30, 2002 which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments, representing approximately .72% of the state investment pool portfolio on September 30, 2002, were purchased to add relative value to the portfolio.

h. Inventory and Prepaid Items

The Council does not utilize any inventory items. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

i. Encumbrances

Encumbrances lapse at year-end. Encumbrance accounting is utilized as an extension of the formal budgetary process to reflect the estimated amount of future expenditures arising from the issuance of purchase orders, contracts or other forms of legal commitments existing at year-end which will be paid in the future. Encumbrances do not constitute expenditures or liabilities since goods and services have not been received.

j. Capital Assets

Capital assets, which include computer hardware/software and equipment, are reported in the government-wide financial statements. Items purchased or acquired are reported at historical cost or estimated historical cost. Donated assets are recorded at their estimated fair market value on the date donated.

Maintenance, repairs and minor renovations are not capitalized. Expenditures that materially increase values or extend useful lives are capitalized.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Notes to the Financial Statements

September 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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

<u>Asset</u>	<u>Years</u>
Computer Hardware/Software	3
Equipment	5

Depreciation expense is reflected in the financial statements in accordance with GASB 34 requirements for capital assets greater than \$5,000. Thus, Program Services category includes depreciation expense, generally an indirect cost, in Program Administration and Support. For General Administration category, depreciation expense is included in Materials and Services.

Per Florida State Statutes as well as internal control purposes, assets with a historical cost greater than \$750 are tagged and recorded in the fixed asset system. For Governmental Fund reporting, capital outlay includes all capital expenditures over \$750.

k. *Compensated Absences*

The Council employees are granted a specific number of paid vacation and sick leave days. Employees are permitted to accumulate a maximum of 450 hours (60 days) of vacation as of September 30. Excess time is forfeited if not used by the end of the fiscal year.

Employees can accrue unlimited sick leave, but are only reimbursed for a percentage of unused sick leave upon termination after at least 3 years of service. The costs of vacation and sick leave benefits (compensated absences) are budgeted and expended in the respective fund when payments are made to employees. However, the liability for all accrued and vested vacation and sick leave benefits plus sick leave benefits expected to become vested is recorded in the government-wide financial statements.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Notes to the Financial Statements

September 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

l. Fund Balance

In the fund financial statements, reservations of fund balance are reported to indicate a portion of fund balance is not available for appropriation for expenditure or is legally segregated for a specific purpose. Designation of fund balance identifies tentative plans for the future use of financial resources. The undesignated fund balance is available for future appropriation.

m. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses/expenditures during the reporting period. Actual results differ from those estimates.

3. CASH AND INVESTMENTS

Florida statutes authorize the deposit of the Council funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public depositories. All the Council public deposits are held in Qualified Public Depositories ("QPD") pursuant to Chapter 280, Florida Statutes, "Florida Security for Public Deposits Act." Under the act, public funds are protected against loss due to insolvency by: (1) federal deposit insurance; (2) the pledge of securities as collateral; and (3) a contingent liability agreement that allows the Treasurer to assess QPDs if the securities pledged by an insolvent QPD are insufficient. All bank balances of the Council are held in a QPD. The book value of the Council's deposits does not differ materially from the bank balance of deposits.

As prescribed by GASB Statement No. 3, *Deposits with Financial Institutions, Investments(including Repurchase Agreements), and Reverse Repurchase Agreements*, certain investments are categorized to give an indication of the level of credit (not market) risk assumed by the Council at year end based on various investment categories as to how securities are registered, insured or where held in custody. These credit risk categories are:

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Notes to the Financial Statements

September 30, 2002

3. CASH AND INVESTMENTS, (Continued)

- a. Insured or registered investments or securities held by the Council or held by the Council's agent in the Council's name.
- b. Uninsured or unregistered investments for which the securities are held by the counterparty or by its trust department or agent in the Council's name.
- c. Uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the Council's name.

As of September 30, 2002, the Council did not have any investments that require categorizing for credit risk as shown above.

Cash and Investments as of September 30, 2002 are composed of the following:

Cash Deposits	\$ 2,104,231
Investments with the SBA	<u>13,209,804</u>
Total Cash and Investments	<u><u>\$ 15,314,035</u></u>

4. ACCOUNTS And INTEREST RECEIVABLE

Accounts and Interest Receivable at September 30, 2002 consists of the following:

	<u>General Fund</u>
Interest Receivable	\$ 4,139
Refund	33,764
Other	<u>7,144</u>
Total Accounts Receivable	<u><u>\$ 45,047</u></u>

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Notes to the Financial Statements

September 30, 2002

5. PROPERTY TAXES

The Council is permitted by Florida Statutes to levy taxes up to 0.5 mills per \$1,000 of assessed valuation. The rate levied for the Council for fiscal year 2002 was 0.3055 mills. Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for real and personal property located within Broward County. The assessed value at January 1, 2001 upon which the fiscal year 2002 levy was based, was approximately \$80 billion.

A four percent discount is allowed if the taxes are paid in November, with the discount declining by one percentage point each month thereafter. Taxes become delinquent April 1 of each year. Delinquent property tax certificates are sold to the public beginning June 1, at which time a lien attached to the property. By fiscal year end, virtually all property taxes are collected either directly or through tax certificate sales. Property tax revenues are recorded by the Council based on the amount of receipts reported by the County Tax Collector. Property taxes receivable from the tax collector at September 30, 2002 is \$49,914.

6. CAPITAL ASSETS ACTIVITY

	Balance at Oct 1, 2001	Additions	Deletions	Balance at Sept 30, 2002
Capital Assets:				
Equipment	\$ 19,554	\$ 5,690	\$ -	\$ 25,244
Computer Hardware/Software	59,380	295,965	-	355,345
Total Capital Assets	78,934	301,655	-	380,589
Less Accumulated Depreciation:				
Equipment	653	4,576	-	5,229
Computer Hardware/Software	3,305	105,810	-	109,115
Total Accumulated Depreciation	3,958	110,386	-	114,344
Capital Assts, Net	\$ 74,976	\$ 191,269	\$ -	\$ 266,245

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

**Notes to the Financial Statements
September 30, 2002**

6. CAPITAL ASSETS ACTIVITY, (Continued)

Depreciation expense was charged to the following functions during the year:

Program Services	\$ 62,072
General Administration	48,314
Total Depreciation Expense	<u>\$ 110,386</u>

7. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for fiscal year ended September 30, 2002:

	Beginning Balance Oct. 1, 2001	Additions (Deletions)	Ending Balance Sept 30, 2002
Compensated Absences:			
Vacation Accrual	\$ -	\$ 66,887	\$ 66,887
Sick Leave Accrual	-	12,991	12,991
Total Compensated Absences	\$ -	\$ 79,878	\$ 79,878

8. OPERATING LEASES

The Council is committed under various operating leases for the office space and copying equipment. Lease expenditures for the year ended September 30, 2002 amounted to \$16,346. The current facility lease agreement provides rent concessions prorated over a five year term. In-kind revenue is recognized along with the rent expense for this discounted portion in accordance with GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*. This amount was \$84,113 for the fiscal year ended September 30, 2002.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

**Notes to the Financial Statements
September 30, 2002**

8. OPERATING LEASES, (Continued)

Future minimum lease payments for these leases are as follows:

Fiscal Year Ending September 30,	Minimum Building Lease Payment	Minimum Equipment Lease Payment
2003	\$ 36,458	\$ 13,429
2004	53,958	13,429
2005	71,459	1,920
2006	80,208	1,920
	<u>\$ 242,083</u>	<u>\$ 30,698</u>

9. DEFINED BENEFIT PENSION PLAN

Plan Description: The Council contributes to the Florida Retirement System ("FRS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida legislature established FRS under Chapter 121, Florida Statutes, and has the sole authority to amend benefits provisions. Each year FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Department of Management Services, Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Funding Policy: FRS is non-contributory for employees and the Council is required to contribute an actuarially determined rate. During the fiscal year, the rate was 7.3% for regular employees and 9.28% for senior management of annual covered payroll. The Council contributions to FRS for the fiscal year ending September 30, 2002 were \$61,556 equal to the required contribution.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY

Notes to the Financial Statements

September 30, 2002

10. INSURANCE ACTIVITIES

The Council is exposed to the various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Council purchases commercial insurance to cover the various risks. Retention of risks is limited to excess of those that are insured, those that are uninsurable, and deductibles ranging from \$1,000 to \$2,500 per occurrence. There were no settled claims which exceeded insurance coverage since inception of the Council.

The Council is required by Florida Statute to provide a surety bond in the sum of at least \$1,000 for each \$1 million portion thereof of the Council's budget for the Chair, Vice-Chair, Secretary and President/CEO. This surety bond is included in the insurance coverage purchased through commercial carriers.

11. OTHER COMMITMENTS AND CONTINGENCIES

The Council has contractual obligations with Community Based Solutions, Inc. ("CBS") (doing business as Child Net) to assist in the transition of child welfare services from the Department of Children and Families to community based care. This contract allowed the Council to apply for and receive a grant from the TANF. The total commitment for the contract is \$1,000,000.

Contract Carryovers

On September 19, 2002, the Council Members approved renewing the contracts for the Family Strengthening and School Nurse programs for the subsequent year in the amount of \$3.8 million. This amount is appropriated in the fiscal year 2002-2003 budget.



**REQUIRED SUPPLEMENTARY
INFORMATION**



CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget to Actual
For The Year Ended September 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget	% of Budget
Revenues:					
Ad Valorem Taxes	\$ 23,465,210	\$ 23,465,210	\$ 23,925,608	\$ 460,398	101.96%
Interest on Investments	-	-	313,098	313,098	0.00%
Miscellaneous Local	-	-	28,135	28,135	0.00%
In-Kind Local Match	-	84,113	84,113	-	100.00%
Federal Through State	-	-	455,912	455,912	0.00%
Total Revenue	23,465,210	23,549,323	24,806,866	1,257,543	105.34%
Expenditures:					
Program Services:					
Contract Provider Services	19,967,413	19,776,929	7,741,217	12,035,712	39.14%
Employee Salaries & Benefits	603,378	573,639	500,105	73,534	87.18%
Material and Supplies	-	3,534	2,732	802	77.30%
Printing and Advertising	-	10,182	9,207	975	90.42%
Other expenditures	-	10,684	10,365	319	97.01%
Total Program Services	20,570,791	20,374,968	8,263,626	12,111,342	40.56%
General Administration:					
Employee Salaries & Benefits	719,098	748,847	671,335	77,512	89.65%
Legal Fees	60,000	60,000	53,143	6,857	88.57%
Auditors and Other Consultants	135,000	130,000	52,052	77,948	40.04%
Materials and Supplies	23,600	33,646	28,899	4,747	85.89%
Printing and Advertising	50,000	25,832	17,673	8,159	68.42%
Other General Administration	56,509	114,370	109,072	5,298	95.37%
Telecommunications	18,000	83,711	75,873	7,838	90.64%
Other expenditures	98,368	55,259	38,613	16,646	69.88%
Tax Collection Fees	270,200	270,200	117,479	152,721	43.48%
Total General Administration	1,430,775	1,521,865	1,164,139	357,726	76.49%
Capital Outlay:					
Computer Hardware/Software	275,000	578,384	385,990	192,394	66.74%
Furniture/ Equipment	5,000	120,000	87,169	32,831	72.64%
Remodeling/Renovations	-	1,439	1,121	318	77.90%
Total Capital Outlay	280,000	699,823	474,280	225,543	67.77%
Total Expenditures	22,281,566	22,596,656	9,902,045	12,694,611	43.82%
Excess of Revenues over Expenditures	\$ 1,183,644	\$ 952,667	14,904,821	\$ 13,952,154	
Beginning Fund Balance			(317,465)		
Ending Fund Balance			\$ 14,587,356		

NOTE: GAAP serves as the budgetary basis.





**OTHER SUPPLEMENTARY
INFORMATION**



CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2002

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Federal Expenditures</u>	<u>Amounts Paid to Subrecipients</u>
Federal Awards				
<u>Department of Health and Human Services</u>				
Passed Through State of Florida				
<u>Florida Department of Children and Families</u>				
Temp. Assistance for Needy Families	93.558	2002-5	\$ 2,000,000	\$ 2,000,000
<u>State of Florida Department of Health</u>				
Medical Assistance Program	93.778	COHDB	<u>455,912</u>	<u>366,411</u>
Total Federal Awards			<u>\$ 2,455,912</u>	<u>\$ 2,366,411</u>

Note 1 - Significant Accounting Policies

The schedule of expenditures of federal awards is a summary of the activity of the Council's federal award programs presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.



Statistical Section



CHILDRENS SERVICES COUNCIL OF BROWARD COUNTY
General Fund Revenues by Source
Last One Fiscal Year

Fiscal Year Ended Sept 30	Ad Valorem Taxes	Interest on Investments	Federal through State	Misc Local	In-Kind Local Match	Total Revenue
2002	\$ 23,925,608	\$ 313,098	\$ 455,912	\$ 28,135	\$ 84,113	\$ 24,806,866

Source: The Children's Services Council - Finance Administration

Note: The Children's Services Council first full year of operation was 2002.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
General Fund Expenditures by Function
Last One Fiscal Year

Fiscal Year Ended September 30	Program Services	General Administration	Capital Outlay	Total Expenditures
2002	\$ 8,263,626	\$ 1,164,139	\$ 474,280	\$ 9,902,045

Source: The Children's Services Council - Finance Administration
 Note: The Children's Services Council first full year of operation was 2002.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Fund Balance Trends - General Fund
Last One Fiscal Year

Fiscal Year Ended September 30	Fund Balance
<hr/> 2002	<hr/> \$ 14,587,356

Source: The Children's Services Council - Finance Administration

Note: The Children's Services Council first full year of operation was 2002.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Property Tax Levies and Collections -
For the General Fund
Last One Fiscal Year

Fiscal Year Ended Sept 30	Net Taxable Assessed Valuation (In Thousands)	Base Millage	Property Taxes Levied	Discounts For Early Payment	Total Tax Collections	% of Total Tax Collected to Property Taxes Levied
2002	\$ 80,343,876	0.3055	\$ 25,231,408	N/A	\$ 23,925,608	94.82%

N/A - Not Available

Source: Property Appraisers Office

See Trim Notice DR420 Report

Note: The Children's Services Council - Finance Administration

The Children's Services Council first full year of operation was 2002.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Assessed Value of Taxable Property (In Thousands) -
Last One Fiscal Year

Fiscal Year Ended Sept 30	Real Property				Total
	Residential	Commercial	Industrial	Other (1)	
2002	\$ 66,766,083	\$ 14,687,789	\$ 4,692,641	\$ 7,334,222	\$ 93,480,735

(1) Agricultural property, vacant property of non-profit agricultural use and miscellaneous
 Note: The basis of assessed value is approximately one hundred percent (100%) of actual value.
 Source: Broward County Property Appraiser

Fiscal Year Ended Sept 30	Assessed Value		Exemptions		Net Assessed Value
	Real Property	Personal Property	Real Property	Personal Property	
2002	\$ 93,480,735	\$ 7,765,378	\$ 22,522,462	\$ 108,813	\$ 78,614,838

Source: Broward County Property Appraiser
 Note: The Children's Services Council first full year of operation was 2002.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Property Tax Rates Per Thousand of Assessed Valuation
All Countywide Direct and Overlapping Governments
Last One Fiscal Year

Fiscal Year Ended September 30	Children's Services Council	County	Schools	S Florida Water Management District	Total
Tax Rates (Per \$1,000 of Assessed Value):					
2002	0.3055	7.4005	8.7541	0.6970	17.1571

Fiscal Year Ended September 30	Children's Services Council	County (1)	Schools	S Florida Water Management District	TOTAL
Tax Levies (in thousands):					
2002	\$ 25,231	\$ 608,170	\$ 723,034	\$ 57,568	\$ 1,414,003

Computation of Direct and Overlapping Debt

Jurisdiction	Net Debt Outstanding	Percentage Applicable to Entity	Amount Applicable to Entity
Broward County	\$ 361,205	100%	\$ 361,205
Broward County School Board	149,949	100	149,949
Total			<u><u>\$ 511,154</u></u>

(1) Net of Certified Adjustments

Source: Broward County Revenue

Note: The Children's Services Council first full year of operation was 2002.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Principal Taxpayers (In Thousands)
Broward County
September 30, 2002

Taxpayer	Type of Business	Taxes Levied	Percent to Aggregate Taxes Levied
Florida Power & Light Company	Public Utility	\$ 28,863	1.33%
BellSouth Corporation	Public Utility	18,530	0.85%
Sunrise Mills, LTD	Development	7,033	0.32%
Motorola, Inc	Electronics	3,873	0.18%
Wheelabrator South Broward, Inc	Energy	3,421	0.16%
Wheelabrator North Broward, Inc	Energy	3,266	0.15%
At&T Broadband	Public Utility	2,868	0.13%
Northwestern Mutual Life	Insurance	2,514	0.12%
Marriott Ownership Resorts Inc	Development	2,406	0.11%
Keystone-Florida Property Hold	Development	2,392	0.11%
Total principal taxpayers		\$ 75,166	3.46%

Source: Broward County Revenue Collector

Note: The Children's Services Council first full year of operation was 2002.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Demographic Statistics -
Last One Fiscal Year

Fiscal Year Ended Sept 30	Population (4)	Labor Force (1)	Annual Unemployment Rate (1)	School Enrollment (2)	Resident Births (3)
2002	1,667,509	824,534	5.80%	266,272	22,139

Percent of Children with No Health Care Insurance Coverage

Year	Age 6 and Under	Age 6 through 12	Age 13 through 17	Total
2002	3.50%	9.70%	8.90%	7.30%

Sources:

- (1) Bureau of Labor Statistics (September 2002 Preliminary)
- (2) School Board of Broward County
- (3) Broward County Health Department
- (4) University of Florida, Bureau of Business and Economic Research (preliminary)

Note: The Children's Services Council first full year of operation was 2002.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Number of Personnel
Last One Fiscal Year

Fiscal Year Ended Sept 30	Full Time Personnel	Part- Time/Hourly Personnel	Total Personnel
2002	22	0	22

Number of employees at September 30, 2002

Source: Children's Services Council, Finance Administration

Note: The Children's Services Council first full year of operation was 2002.

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Property Value of Building Permits Issued,
Construction and Bank Deposits (\$ in Thousands)
Last One Fiscal Year

Fiscal Year Ended Sept 30	Commercial Construction Value (1)	Residential Construction Value (1)	Bank Deposits (2)
2002	\$ -	\$ 1,156,939	\$ 25,469,964

Sources:

- (1) Broward County Office of Planning (January 2002 through September 2002)
- (2) Florida Bankers Association (6/30/02)
- (3) Broward County Property Appraisers Office
- N/A Information Not Available

Note: The Children's Services Council first full year of operation was 2002.

Property Tax Value (3)

Commercial	Residential	Nontaxable
\$ 26,714,652	\$ 66,766,083	\$ 22,522,462

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Schedule of Insurance in Force
As of September 30, 2002

Policy/ Number	Insurance Company	Coverage	Policy Period
1CB3000	Essex Insurance Company	Commercial Property Policy Business Personal Property Extra Expense EDP Hardware	Sept 12, 2001-2002
1CE8264	Essex Insurance Company	Commercial Property Policy Business Personal Property Extra Expense EDP Hardware	Sept 12, 2002 - 2003
FG105190	Northland Insurance Company	Directors & Officers Liability	Oct 31, 2001-2002
3F05427800	Lumbermen's Mutual Casualty	Commercial Crime	Dec 20, 2001-2002
830-28280	Bridgefield Insurance Company	Workers' Compensation Bodily Injury by Accident - each accident Bodily Injury by Disease - Policy Limit Bodily Injury by Disease - each employee	Jan 1, 2002 - 2003

Deductible or Self- Insured Retention	Policy Limits	Estimated Annual Premium
\$ 1,000		\$ 5,189
	\$ 110,000 25,000	
	375,000	
		5,991
1,000	110,000 25,000	
2,500	375,000	
1,000	1,000,000	1,445
2,500	100,000	1,078
		6,154
	100,000	
	500,000	
	100,000	

CHILDRENS SERVICES COUNCIL OF BROWARD COUNTY
Miscellaneous Statistical Data

Broward County Government:

Established	1915
Type of Government	Charter (1975)
County Seat	Fort Lauderdale
Governing body	Board of County Commissioners
Term of office	Four years
Geographic area	1,285 square miles

Broward County:

Population - Total	1,667,509
Population by Age Group	
0 through Middle School (2000)	280,977
0 to 5 (PreK) (2000)	99,902
4 & 5 Years (Not in K) (2000)	24,676
School Age total (excluding high School) (181,074
Middle School (2000)	58,884
Elementary (Incl-K) (2000)	122,191
Labor Force	824,534
Number of Cities and Towns	31

Climate

(Minimum Period of Record: 30 years)

Average Temperature	76.2 degrees	F
Average High	84.6 degrees	F
Average Low	67.6 degrees	F
Total Annual Average Precipitation	57.3 inches	

Number of Public Schools

Elementary	131
Middle	35
High	24
Adult/Vocational	6
Centers	10
Charter Schools	18
Total	<u>224</u>

CHILDREN'S SERVICES COUNCIL OF BROWARD COUNTY
Miscellaneous Statistical Data, Continued

Major Universities

Barry University
Florida Atlantic University
Nova Southeastern University
University of Phoenix

Licensed Child Care:

Child Care Facilities	539
Child Care Homes	251
Registered Schools (Excluding public	96

Accredited Centers/Schools (Gold Seal)

Centers (July - Sept 2002)	55
Schools - Pre-K	96

Source: Greater Fort Lauderdale, Florida Yellow Pages
Broward County Property Appraiser's Office
www.broward.org
www.weather.com
School Board of Broward County
Broward County Child Care Licensing and Enforcement
The Broward Alliance



Internal Control & Compliance





NOWLEN, HOLT & MINER, P.A.

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

To the Board Members of Children's Services Council
of Broward County
Plantation, Florida

We have audited the general purpose financial statements of the Children's Services Council of Broward County as of and for the year ended September 30, 2002, and have issued our report thereon dated January 16, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Children's Services Council of Broward County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Children's Services Council of Broward County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the Children's Services Council of Broward County's management in the Management Letter dated January 16, 2003.

This report is intended solely for the information and use of the Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Nowlen, Holt + Miner P.A.

January 16, 2003



NOWLEN, HOLT & MINER, P.A.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board Members of Children's Services Council
of Broward County
Plantation, Florida

Compliance

We have audited the compliance of the Children's Services Council of Broward County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2002. The Children's Services Council of Broward County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Children's Services Council of Broward County's management. Our responsibility is to express an opinion on the Children's Services Council of Broward County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Children's Services Council of Broward County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Children's Services Council of Broward County's compliance with those requirements.

In our opinion, the Children's Services Council of Broward County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2002.

Internal Control Over Compliance

The management of the Children's Services Council of Broward County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Children's Services Council of Broward County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted one matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Children's Services Council of Broward County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. This reportable condition is described in the accompanying schedule of findings and questioned costs as item 2002-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the Children's Services Council of Broward County's management in the Management Letter dated January 16, 2003.

This report is intended solely for the information and use of the Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Theresa Holt & Merice P. A.

January 16, 2003

**Children's Services Council of Broward County
Schedule of Findings and Questioned Costs
September 30, 2002**

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? _____yes X no
- Reportable condition identified that is not considered to be a material weakness? _____yes X none reported

Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____yes X no
- Reportable condition identified that is not considered to be a material weakness? X yes _____none reported

Type of auditors' report issued on compliance for major programs/project: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes _____no

Identification of Major Programs

CFDA Numbers

Name of Federal Program

U.S. Department of Health & Human Service

93.558

- Temporary Assistance for Needy Families (TANF)

93.778

- Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____yes X no

Children's Services Council of Broward County
Schedule of Findings and Questioned Costs
September 30, 2002

Section II—Financial Statement Findings

No matters are reported.

Section III—Federal Award Findings and Questioned Costs

Temporary Assistance for Needy Families (TANF) CFDA # 93.558

Finding 2002-01

Condition. The Council has policies and procedures in place to perform monitoring of all provider programs. However in reviewing the procedures performed for the summer programs, we noted the monitoring performed did not include verification of TANF eligibility of the participants. The Council was reimbursed by the State of Florida for some of these costs and a requirement of the State's contract was that there be documentation in the participant files that the person met TANF eligibility requirements.

Criteria. The Council's monitoring of providers should include significant compliance requirements of any contracts these costs are being reimbursed by.

Effect. If TANF eligibility monitoring of providers isn't performed, the Council could request TANF reimbursement for services which are not TANF eligible. This could lead to non-compliance and questioned costs. As part of our auditing procedures we reviewed TANF eligibility and did not have any questioned costs that would be required to be disclosed under OMB A-133.

Cause. The Summer Programs were already underway by the time the Council received the TANF award in July 2002. Monitoring had already been performed on these providers. Because of the temporary nature of the summer programs, the Council did not perform additional monitoring that included verification that TANF forms had been properly completed to document eligibility under the program.

Recommendation. We recommend that in the future the Council's monitoring procedures include verification that the TANF forms are properly completed documenting eligibility under the program. We also recommend that the policies and procedures over monitoring be amended to ensure that all significant contract compliance requirements will be tested.

Management Response. We concur. This TANF reimbursement was authorized as a result of a contract with CBS and is not an on-going grant. However, provider training has been initiated to emphasize TANF compliance in the event that Council eligibility for TANF reimbursement is reauthorized. The monitoring assessment tool has been expanded to include verification of the completeness of the TANF eligibility form. We are also in the process of amending monitoring polices and procedures to ensure significant contract requirements are included.

**Children's Services Council of Broward County
Summary Schedule of Prior Audit Findings
September 30, 2002**

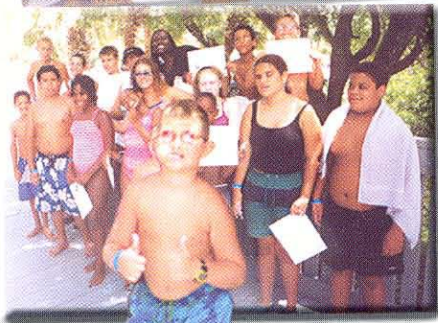
There were no prior findings related to Federal programs required to be reported under the Federal Single Audit Act.



Thank You!

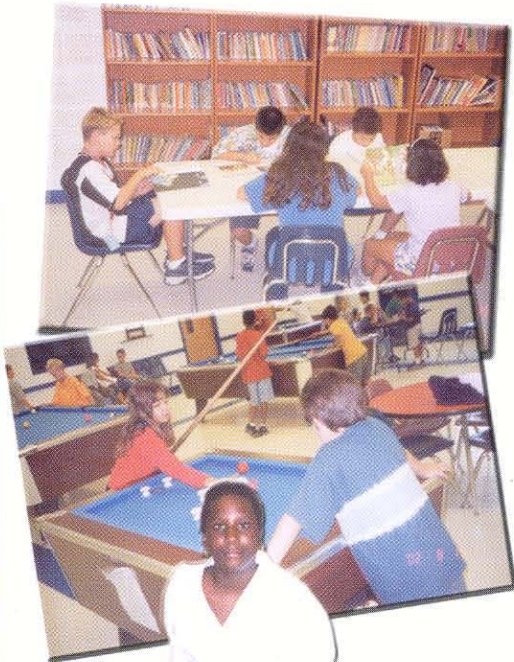
Thank you children service council we appreciate the field trips we had so much fun through out the summer. We Thank you for making camp Henderson what it is.

We appreciate IT!!!



Thank You!

Thank you
Children's
Service
Council!



Thank You!