

**CITY OF FORT LAUDERDALE
INTERNAL AUDIT OFFICE
AUDIT REPORT**

**Review of Agreement with
Carriage Financial Services, Inc.
for the Operation and Maintenance of the
City's Cemetery System**



**AUDIT NO. 03/04-XX-05
DATED February 17, 2004**

MEMORANDUM NO. 04-31

DATE: February 17, 2004

TO: Parks and Recreation Director/Ernest Burkeen
Finance Director/Terry Sharp

SUBJECT: *Review of Agreement with Carriage Funeral Services, Inc. (CFS) –
d/b/a Carriage Services for the Operation and Maintenance of the
City’s Cemetery System.*

Enclosed is the “subject” Final Report of Audit.

Allyson C. Love
Internal Audit Director

Attachment - Final Report of Audit

c: City Commission
Audit Advisory Board
Acting City Manager/Alan Silva
Assistant City Manager/Bud Bentley

ACL/cs

REPORT OF AUDIT NO. 03/04-XX-05

DATE: December 15, 2003

TO: Parks and Recreation Director/Ernest Burkeen
Finance Director/Terry Sharp

VIA: Internal Audit Director/Allyson C. Love

FROM: Assistant Director of Internal Audit/James Hamill/522-2604x52

SUBJECT: *Review of Agreement with Carriage Funeral Services, Inc. (CFS) - d/b/a Carriage Services for the Operation and Maintenance of the City's Cemetery System*

BACKGROUND

The City of Fort Lauderdale (City) owns three full-service cemeteries: Evergreen, Lauderdale Memorial Park, and Sunset Memorial Gardens (herein "the Cemetery System") and Woodlawn Cemetery is included in the Agreement to provide services for maintenance, improvements, sales and installations for monuments or memorials only. In 1993, the City contracted with McNeal Loftis, Inc. for the maintenance and operation of the Cemeteries. The agreement was for an initial 5-year period with renewal options for additional 5-year periods. In 1994, the contract was reassigned to Equity Corporation International (ECI), which subsequently merged with Service Corporation International (SCI). In 1999, the United States Federal Trade Commission required SCI divest of certain businesses, including its management interests in the City's Cemetery System. Therefore on September 20, 1999, the contract was reassigned to CFS Funeral Services, Inc – Carriage Services (herein the Contractor).

The Contractor is responsible for the administration and operation of the cemeteries. The agreement provides the Contractor the ability to sell cemetery property and other related products and services. The Contractor is required to pay the City 10% Perpetual Care and 9% General Reserve trust on the sale of all property (burial rights). Payment to the Perpetual Care fund is also made for all monuments sold and paid on the basis of \$.20 per square inch. These trust monies are paid to the City's Cemetery Investment Trustee (Bank of America) based upon cash receipts for each applicable contract.

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Quarterly, the Contractor submits to the Cemetery Board a request to be reimbursed for administrative and operational expenses from the Perpetual Care and General Reserve Trust funds. Regardless of expenses incurred, the Contractor is only reimbursed based upon the interest and dividend earnings, less bank fees of the trust funds; therefore, securing the corpus for long-term perpetual care.

In addition to the City's contractual terms and conditions, the Contractor is required to comply with relevant sections of Chapter 497 (Funeral & Cemetery Services) of the Florida Statutes as regulated by the Department of Financial Services. Furthermore, the State Board of Funeral and Cemetery Services provides additional oversight.

The City's Parks and Recreation Department, via a Cemetery Liaison, is responsible for the overall administration and monitoring of the agreement terms and acts as an intermediary between the City, Contractor and the Cemetery Board. The City's Cemetery Board of Trustees is an advisory board of the City Commission and is responsible for the overall administration of the trust funds and oversight of cemetery operations. The City's Finance Department is responsible for the reconciliation and availability of trust fund income to cover expenses.

SCOPE

The overall objective of our review was to determine if the Contractor complied in material respect with the provisions of the Original Cemetery Agreement dated May 13, 1993 and amendments one through three. Furthermore, Internal Audit evaluated whether the City's new Cemetery Investment Policy dated 7/7/02 was administered adequately by the Trustee (Bank of America). Internal Audit also evaluated the Contractor's and City's performance under the agreement.

We reviewed documents and transactions from April 2001 through July 2003 during the months of September and October 2003 according to generally accepted government auditing standards.

OVERALL EVALUATION

The Contractor generally complied with the requirements of the Agreement for maintenance and operation of the City Cemetery System and amendments thereto. However, the following deficiencies/opportunities for

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improvement were identified: (1) The Contractor neglected to trust 2nd right property sales; (2) The 25% resident discount allowance was given to non-residents; (3) The replacement cost of the buildings covered by the Contractors Fire Insurance was not re-evaluated at the 5-year interval per the contract; (4) A full reconciliation of the Merchandise and Service trust has not been accomplished; and (5) A system of internal controls was not established to prevent losses of funds, employee error and imprudent actions by employees and written procedures were not established to include reference to safekeeping, repurchase agreements and delivery-vs.-payment procedures.

FINDING 1

The Contractor underpaid the City's Perpetual Care and General Reserve Trust Funds \$10,151.94 since 2nd right property sales were erroneously exempted from trusting.

Florida Statutes 497.245 states (1) Each cemetery company shall set aside and deposit in its care and maintenance trust fund the following percentages or amounts for all sums received from sales of burial rights: (a) For burial rights, 10 percent of all payments received; however, for sales made after September 30, 1993, no deposit shall be less than \$25 per grave. For each burial right which is provided without charge, the deposit to the fund shall be \$25.

City Code of Ordinances Chapter 10, Cemeteries section 10-47 paragraph (a) (1) states under Income. There shall be set aside and deposited in the (a) Perpetual Care Trust: Ten (10) percent of the total amount received from the sale of each lot or plot, columbarium niche and mausoleum crypt...(b) General Reserve Trust – There shall be a General Reserve Trust comprised of the following: (1) There shall be set aside and deposited in the General Reserve Trust ten (10) percent of the remaining portion of the proceeds from the sale of lots, plots, crypts and niches after the perpetual care trust percentage has been deducted.

Our analysis of 2nd right property sales made from September 20, 1999 through August 2003 revealed these types of sales were exempted from trusting. **(Schedule 1)**

The Contractor incorrectly exempted 2nd right property sales from trusting based upon the mistaken belief that it was a service charge. However, services (open and closing the plot) are charged separately on the contract in

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addition to the 2nd right charge. The 2nd right charge is an amount for an additional burial right and should be trusted like any other property sale.

The revenues of the City's Perpetual Care and General Reserve trusts could have been increased and the return on the investment portfolio would have been maximized if all property sales were appropriately trusted.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *City's Parks & Recreation Director* should instruct the *Cemetery Liaison* to:

Recommendation 1. *Invoice the Contractor for \$10,151.94 which is the amount due the trusts from 2nd right property sales that were not trusted since 9/20/99.*

Recommendation 2. *Require the Contractor to establish a procedure to write-up all 2nd right burials as a property sale subject to trusting on a property contract. Additionally, the logic of the Nexus Cemetery Software should be modified to recognize 2nd right as a trustable sale subject to Perpetual Care and General Reserve trusting.*

Management Comment. *Management non-concurred with the finding and recommendations 1 and 2 and stated:* "This audit finding was presented to the Cemetery Advisory Board of Trustees at their January 8, 2004, meeting. They unanimously approved to not bill the contractor or assess on future sales perpetual care on interments. They voted to continue the practice in accordance with the City Ordinance and the rules and regulations collecting perpetual care trust fees on the original plot sale and not on interments. Their contention is not to charge on 2nd right of interment if no additional perpetual care of the property can be justified.

This was provided to the Cemetery Advisory Board of Trustees based on the following: City Ordinance Section 10-27 (b), ...the cemetery system board of trustees promulgates rules and regulations for the operation of the municipal cemetery system, and approved by the City Commission. The Rules and Regulations 10.2, Trust Funds and Maintenance, Those percentages stipulated in the City Code of Ordinance shall be set aside at the time of sale from the purchase price of all plots, crypts and niches, and for engraving of names..." **This item is closed.**

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FINDING 2

The City could enhance the language in the original cemetery agreement and subsequent amendments in order to clearly reflect the actual reimbursement policy.

Current Language	Revised Language
<p>Original contract document dated 5/12/93, paragraph 6(a) states “All or part of the annual net income¹ of the Perpetual Care Trust Fund shall be payable to the Contractor for expenses incurred in the care and maintenance of the Cemetery System...</p>	<p>All of the interest and dividend earnings of the Perpetual Care and General Reserve Trusts (less investment fees) will be available to reimburse the Contractor for expenses incurred in the care and maintenance of the Cemetery System.</p>
<p>Per Amendment 3 dated 2/14/03 to the Original Contract Agreement states the City and CFS agree that the City shall hereafter be responsible for payment of fifty percent (50%) of the fees and expenses of the trustee and related third party administration of the General Reserve Trust and the Perpetual Care Trust related to the Cemetery System (collectively, Trust Funds”) out of the Trust Funds <u>Retained Earnings</u>, i.e. capital appreciation), so that distributions and payments to CFS out of the Trust Funds in accordance with the Maintenance Agreement shall be net of the remaining 50% of such fees and expenses.</p>	<p>The City and CFS agree that the City shall be responsible for payment of (50%) of the fees and expenses of the trustee... The expendable capital gains portion of the trust funds will be used to pay the City’s portion of the above trustee’s fees.</p>

¹ Net Income – The excess of all revenues and **gains** for a period over all expenses and losses for the period. Source: Blacks Law Dictionary 6th Edition, Third Reprint 1991

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The Contractor is actually reimbursed up to the available interest and dividend earnings of the trusts less bank investment fees. However, this is an unwritten reimbursement policy.

The Cemetery Liaison indicated that it was not necessary to clarify the language in the agreement since the Cemetery Board, the Contractor and the Portfolio Trustee understand the unwritten actual reimbursement policy and the intended meaning of the term Retained Earnings.

Contract language that is concise and unambiguous minimizes the potential for costly, avoidable problem situations and/or litigation.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Cemetery Liaison* in conjunction with the *Cemetery Board* should consult with the *City Attorney* to:

Recommendation 3. *Revise the language in the Original Cemetery Agreement to reflect the actual reimbursement policy of the City and limit the quarterly reimbursement of Contractor's operating expenses up to the available interest and dividend earnings of the trusts less bank investment fees.*

Recommendation 4. *Replace the term "Retained Earnings" from Amendment 3 by a reference to "Fund Balance Reserved for Capital Improvements and Investment Fees".*

Management Comment. *Management concurred in principle with the finding and recommendations 3 and 4 and stated: "Since this contract was renewed effective October 1, 2003 for an additional 5-year period, we will provide this to the City Attorney to determine the necessary action." Estimated completion date April 2, 2004.*

FINDING 3

The City lost the opportunity to earn capital gain on the \$277,789 trust deficiency received from the previous Contractor (ECI/SCI).

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Original agreement dated 5/12/93 Paragraph 6(a) states "All or part of the annual net income of the Perpetual Care Trust Fund shall be payable to the Contractor for expenses incurred in the care and maintenance of the Cemetery System... The Contractor shall invoice the City quarterly using the form of the invoice attached..."

On April 4/24/02, the City received \$32,239 - 5% interest deposit based on a \$277,789 trust deficiency (1993-1999) from ECI/SCI (previous Contractor). This interest deposit was in turn paid to Carriage on 7/26/02 to cover their unreimbursed operating expenses between 10/1/01-3/31/02.

Internal audit quantified the lost investment opportunity to the City as follows.

Total Trust Deficiency	50% of Trust Deficiency invested in the Market	Average Amount Invested	Average Annual Return at 6.85%	Times 6 for the # of Years 1993-1999
\$277,789.00	\$ 138,894.50	\$69,447.25	\$4,757.14	\$ 28,542.82
			Actual Amount Paid to Carriage	31,239.00
			Lost Opportunity to the City to earn Capital Gains on the Trust Deficiency	28,542.82
			Eligible Amount that should have been paid to Carriage	\$ 2,696.18

The Cemetery Liaison recommended to the Cemetery Board this interest deposit be paid to the current Contractor because it was "interest" and should be paid to the Contractor for their unreimbursed operating expenses. The decision to refund the entire amount to Carriage does not recognize the lost opportunity to the portfolio/City for capital appreciation from 1993-1999. Additionally, the amount reimbursed (5%) exceeds what the portfolio would have earned in interest based upon the portfolio interest yields for fiscal year 2001(2.9%) and fiscal year 2002(1.6%), respectively.

The capital portion of the trust funds could have been increased through a more equitable sharing of this interest payment in order to provide additional monies for future capital improvements of the Cemetery System.

RECOMMENDATION 5

The Cemetery Liaison should coordinate with the Cemetery Board to closely scrutinize payments to the Contractor outside of the contractually required quarterly reimbursements from a broader perspective to include all relevant aspects such as opportunity costs and prevailing market yields.

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MANAGEMENT COMMENT

Management concurred in principle with the finding and recommendation and stated: “We will provide all reimbursement requests not on the quarterly request to the Cemetery Board of Trustees, and ensure trust fund expenditures are within their fiduciary responsibility in accordance with the City Ordinance and Rules and Regulations of the Cemetery System.” **This item is closed.**

FINDING 4

Internal audit was unable to determine the adequacy of the Contractor’s Fire and Casualty Insurance since a redetermination of current replacement values for the Cemetery System buildings was not accomplished.

Original Cemetery Agreement dated 5/12/93, paragraph 35, sub paragraph 3 states Fire and Casualty insurance in a standard form policy or policies of fire insurance with standard extended coverage endorsement in the amount of not less than eighty percent (80%) of the replacement value of the buildings and improvements located on the Cemetery System. Once every five (5) years during the term of this Agreement, Contractor shall obtain a redetermination of the replacement value of the buildings and other improvements located in the Cemetery System and shall advise the City of the results of such redetermination and the fire and casualty policy shall be upgraded to not less than eighty percent (80%) of the most current redetermination within thirty (30) days.

Cemetery Systems has the following buildings.

Lauderdale Memorial Park

- Administration Building
- Mausoleum Building
- Maintenance Building

Sunset Memorial Gardens

- Administration and Maintenance Building
- Mausoleum Building

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The Cemetery Board Liaison indicated a redetermination was not accomplished since the Contractor had a 150 million dollar blanket insurance policy, which was not provided to Internal Audit. On the contrary, the actual Insurance Certificate indicated only \$1,000,000 in Fire Protection.

Current Fire and Casualty insurance based upon 80% of current replacement values of the Cemetery System's Buildings and Improvements assures appropriate control of these risks.

RECOMMENDATION 6

The Cemetery Liaison should require the Contractor to complete a current replacement cost analysis of the Cemetery System's buildings and improvements to determine the adequacy of the available \$1,000,000 fire insurance and assess the related adjustment if applicable.

MANAGEMENT COMMENT

Management concurred with the finding and recommendation and stated: "The Contractor decided to carry the City as a Certificate Holder on their corporate blanket coverage with \$150,472,627 for all buildings instead of the current 80% value. We will have a determination of the building values replacement cost. We will provide the insurance document and the determination to the City's acting Risk Manager to validate the adequacy of this certificate from the re-determination of building values." **Estimated completion date April 2, 2004.**

FINDING 5

The Contractor did not always correctly apply the 25% resident discount to customers/purchasers.

Second Amendment to the Original Cemetery Agreement dated 9/20/99, paragraph 4 (h) states assignee shall implement a pricing structure whereby residents of the City are granted a 25% percent reduction or discount on all plot sales and interment costs, including mausoleum sales and interments.

Per Cemetery Board minutes dated 9/2/02, the Cemetery Advisory Board confirmed the residency discount applies either to the purchaser or the descendant who must reside within the corporate limits of the City.

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Our review of 25 contracts for services revealed the residency discount was not applied correctly as follows.

Contract #	Ineligible 25% Resident Discount	Reason Code	Eligible 10% Pre-Need Discount	Net Ineligible Discount	10% Perpetual Care Due	General Reserve Due 90% of Perpetual Care
20010083	200.00	B	N/A	N/A	20.00	18.00
20010163	7,487.50	A	2,995.00	4,492.50	449.25	404.33
Totals	\$8,687.50		\$ 2,995.00	\$4,492.50	\$469.25	\$422.33
Ineligible Discount based upon residency status						
Residency Discount calculated above 25%						

The Contractor, as a matter of procedure, relies on the driver’s license address information opposed to the establishment of a procedure to actually verify the address to a map or other type of address locator to verify the address is within the City’s corporate limits.

Accurate application of the residency sales discount will assure the Perpetual Care and General Reserve Trust is maximized.

RECOMMENDATION 7

The Cemetery Liaison should require the Contractor to establish a written procedure to instruct the sales agents to access the Internet and check the geographical location of a specific address against the Broward County Property Appraiser’s records paying, particular attention to the millage code associated with the address. Additionally, the City’s website at www.fortlauderdale.gov contains a Geographical Information Systems (GIS) hyperlink through which you can verify that a particular address is within the City of Fort Lauderdale.

MANAGEMENT COMMENT

Management non-concurred with the finding and recommendation and stated: “The contracts referenced are City residents. Contract number 20010083, dated September 9, 2001, is for a City resident based on the address on the contract. Contract number 20010163, dated April 8, 2002, is a valid resident discount. The address for conveyance at the foot of the contract and deed is an address within the City of Fort Lauderdale .

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It is not possible to have counselors utilizing the Internet since they do not have computers. Additionally, numerous sales occur off the cemetery premises. The cemetery contractor has established a procedure to minimize errors in identifying City of Fort Lauderdale residency. The contractor obtained a map from the City of Fort Lauderdale and provides it to all counselors. Additionally, the City has a procedure to review all contracts monthly to validate pricing and discounts, and charges the contractor any variances if discount errors affect the trust funds. Since inception of providing the maps and monthly reviews, there have been a minimal number of errors ensuring addresses are within the City's corporate limits." **This item is closed.**

FINDING 6

The City has not required the Contractor to perform a quarterly reconciliation of the Merchandise and Service Trust to accurately reflect its true value/show deliveries.

Florida Statutes Chapter 497 requires the Contractor to trust funds for all pre-need services and merchandise at a percentage of the sales price.

To show the true liabilities of the Service and Merchandise Trust Fund, the fund should be reconciled on a quarterly basis at a minimum.

In Report of Audit 01/02-XX-01 issued November 5, 2001, we identified that the Service and Merchandise Trust Fund had a balance of \$2,004,229. To validate the accuracy of the fund level, we judgmentally selected trusted items at Evergreen which revealed the liability had been met on the accounts, resulting in an overage in the fund of at least \$21,035. Based on this issue, we recommended the Contractor reconcile the Service and Merchandise Trust Fund to show the true liabilities.

To date, the Contractor has partially implemented the recommendation by performing quarterly reconciliation for amounts trusted by them since the last audit report. However, the past amounts trusted by the previous Contractor(s) have not been reconciled. According to an e-mail from the Cemetery Liaison, the Contractor continues to maintain the trust funds at an inflated value to preserve a buffer in the event of an audit by the State of Florida.

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To avoid an enormous accounting burden to identify all activities/transactions impacting the Merchandise and Service Trust, prior to September 1999, a complete reconciliation must be performed.

RECOMMENDATION 8

The Cemetery Liaison should require the Contractor to complete a full reconciliation of the Merchandise and Service Trust within 6 months for the cemetery system.

MANAGEMENT COMMENT

Management concurred in principle with the finding and recommendation and stated: “The Contractor had hired an individual to reconcile the Service and Merchandise Trust Fund. Numerous deliveries were made releasing liability from the prior contractor’s contracts. There still is an issue with the conversion of some data from the prior contractor to enable the current system to deliver and release the trust liability. The Contractor will be re-addressing this issue in 2004.” **This item is closed.**

FINDING 7

The City’s Investment Policy portfolio diversification constraints were not complied with since the criteria are based on market values which can fluctuate widely.

The Perpetual Care Investment Portfolio had the following values as of 09/09/03:

Investment Policy Criteria/Constraint	Actual \$ Investment	%
A maximum of 5% of each trust fund may be invested in High Yield Mutual Funds.	<u>\$585,568.78</u> 11,226,433.73	5.22%
A maximum of 50% of each trust is to be invested in equity securities.	<u>\$5,767,743.97</u> 11,226,433.73	51.38%
A minimum of 50% of each Trust Fund is to be invested in Fixed Income Securities.	<u>\$5,285,522.78</u> 11,226,433.73	47.08%

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The Investment Policy was developed without due consideration if the constraints/concentration percentages could be practically implemented as written. Additionally, how often out of compliance situations should be corrected was not specified.

Establishment of clear criteria will allow adequate monitoring of the trustee's performance and compliance with the Investment Policy.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Finance Director* should:

Recommendation 9. *Revise the Investment Policy to clarify the calculation of the diversification/concentration constraints. The current language is vague and subject to interpretation. For example, the wording could be improved as noted below.*

$$\frac{\text{Numerator}}{\text{Denominator}} = \frac{\text{Total Market Value of an Individual Equity Security}}{\text{Total Market Portfolio Value for each Trust}}$$

Management Comment. *Management concurred with the finding and recommendation and stated:* “The Finance Director has initiated discussions with the Cemetery Liaison and the Cemetery Trust Officer at Bank of America to develop a workable definition of the constraints. The Finance Director has committed to having any revisions for review by the Cemetery Advisory Board at their March 2004 meeting.” **Estimated date of completion April 2, 2004.**

Recommendation 10. *Establish an allowable tolerance for each constraint and a date certain should be set for the trustee (Bank of America) to correct out of compliance situations because the calculations are based upon market values which change daily.*

Management Comment. *Management concurred with the recommendation and stated:* “The tolerances will be developed as part of the dialogue above. The Finance Director has checked with other money managers for other City funds as to the practicality of a daily check of tolerance vs. actual values. Both the City's manager of the City's operating portfolio outside of the State Board of Administration (Public Financial Management) and the General Employees Retirement System indicate that

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monthly or quarterly timeframes are the normal checkpoints. Daily monitoring is apparently not done. The Cemetery Advisory Board has approved a ten percent margin to ensure there is no technical deviation from the adopted policy.” **This item is closed.**

FINDING 8

The City has exposure to potentially lose General Reserve corpus monies since only 46.7% of the portfolio as of 09/09/03 was secured with fixed income securities.

City Cemetery Investment Policy² Investment Objectives states the foremost objective of this investment program is the safety and preservation of the corpus of the fund.

Our review of the corpus revealed the balance was not adequately secured. **(Schedule 2)**

The oversight provided by the Trustee (Bank of America) and Cemetery Advisory Board was not specific enough to assure actual investment practices were consistent with the primary objective of the Investment Policy.

Having the corpus of the General Reserve Trust secured by fixed income securities eliminates market volatility/risk and assures the primary investment objective of preservation of capital will be achieved.

RECOMMENDATION 11

The Finance Director should evaluate the relevance of the investment objectives and establish a procedure in conjunction with the Trustee to assure the corpus is secured by fixed income securities to prevent loss of corpus due to market volatility.

MANAGEMENT COMMENT

Management concurred in principle with the finding and recommendation and stated: “As part of the recommendations to the Cemetery Advisory

² Effective 7/1/02 Section II

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Board in March, the Finance Director plans to have any revisions for the Board's consideration as it relates to investment objectives and the City's procedures for protecting the corpus." **Estimated completion date April 2, 2004.**

FINDING 9

The City has not established and implemented a system of internal controls and written operational procedures relative to the operations of the Trust Funds and Investment Policy. Furthermore, the City has not required the external auditors to include within the scope of their annual financial audit, a review of the system of internal controls to verify compliance with policies and procedures.

The City's Cemetery Investment Policy effective 7/1/02 Section XII titled Internal Controls states (a) The Director of Finance shall establish a system of internal controls and written operational procedures to be a part of the operational procedures of the Trust Funds. The internal controls should be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation, by third parties, or imprudent actions by employees. The written procedures should include reference to safekeeping, repurchase agreements, separation of transaction authority from accounting and record keeping, wire transfer agreements, banking service contracts, collateral/depository agreements, and "delivery-vs.-payment" procedures...and, (b) Independent auditors, as a normal part of their annual financial audits, will conduct a review of the system of internal controls to ensure compliance with policies and procedures.

Based on discussions with the Finance Director, we learned internal controls were not established for the Investment Policy, no written procedures were established and no review was completed by the City's external auditors.

The new Finance Director was not aware of this requirement from the Cemetery Investment Policy and the former Finance Director did not implement these controls prior to retirement.

Properly documented internal controls that are subject to review and compliance testing by the City's external auditors will assure that the controls are well-designed and functioning as intended.

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RECOMMENDATION AND MANAGEMENT COMMENTS

The *City's Finance Director* should:

Recommendation 12. *Establish a system of internal controls relative to the investment policy and written procedures in conjunction with the Cemetery Advisory Board and the Trustee (Bank of America).*

Management Comment. *Management concurred with the finding and recommendation and stated:* “The Finance Director is committed to reviewing the City’s procedures for other investments and make recommendations regarding the handling of cemetery trust funds. This would be part of the package to be discussed at the March 2004 Cemetery Advisory Board meeting.” **Estimated completion date April 2, 2004.**

Recommendation 13. *Request the City’s External Auditors include, within their scope of the Annual Audit, a review of the systems of internal controls to ensure compliance with the policies and procedures.*

Management Comment. *Management concurred in principle with the recommendation and stated:* “The External Auditors have been provided a copy of this draft audit. A review of internal controls is a basic part of their annual audit work and they do include samples from cemetery trust funds as part of their testing. They have not identified, in the past, any material weaknesses in internal controls. Any changes that are implemented regarding cemetery trust fund investments and procedures will be provided to the External Auditors. Additionally, the revised procedures will be submitted to the newly created Audit Advisory Board for their review. This Board will meet once the Commission has completed their appointments and is charged with overseeing the external audit work program.” **Estimated completion date April 2, 2004.**

FINDING 10

The City incorrectly reported in the 2002 Comprehensive Annual Financial Report the entire Perpetual Care and General Reserve Trust

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Fund Balance as “Reserve for Endowments” in the Permanent Funds section of the Non-Major funds Combining Balance Sheet.

According to the Government Finance Officer’s Association (GFOA)³, the Reserved for Endowments portion of the fund balance should essentially be limited to the corpus of the fund. If amounts are restricted for substantially different purposes it may be appropriate to have separate amounts of reserved fund balance for each different purpose. The amounts for the normal operating and maintenance expenditures of the fund would constitute unreserved fund.

Internal audit identified the City’s Comprehensive Annual Financial Report (CAFR) incorrectly reported the Perpetual Care and General Fund Balance as Reserved for Endowments which implies to the reader that the fund balance is restricted. However, the fund balance is comprised of two distinct portions – Reserved and Unreserved. **(Exhibit)**

The Finance Director and the City’s External Auditors, Ernst & Young, had not carefully considered the composition of the fund balance in terms of limitations/restrictions affecting it and how that should be reported in the CAFR to promote full disclosure.

Full Financial Disclosure enhances the usefulness of the information in the CAFR for various decision making purposes of internal and external stakeholders.

RECOMMENDATION 14

The Finance Director, in conjunction with the City’s External Auditors, should segregate the fund balance into the Reserved and Unreserved portion and provide explanatory notes in the footnote disclosures in the City’s CAFR.

MANAGEMENT COMMENT

Management concurred with the finding and recommendation and stated: “The statements that have been provided to the External Auditors segregate the reserved endowment fund balance into expendable and nonexpendable portions. It is anticipated that the CAFR will be presented to the City Commission in February.” **This item is closed.**

³ Memo from Jake Lorentz, Assistant Director of Technical Services of GFOA.

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FINDING 11

The City has not obtained the advice of an independent consultant to assure that the current investment policy and Contractor's level of reimbursement will allow the Cemetery System to be self-sustaining.

The City established a Perpetual Care & General Reserve Trust to provide for the ongoing maintenance expenses and for future capital improvements of the Cemetery System. The interest and dividend income less bank fees are intended to cover the recurring maintenance and operating expenses of the Cemetery System.

Our preliminary analysis of the adequacy of the investment income relative to the operating expense indicated the amount may not be sufficient to create a self-sustaining Cemetery system. Also, during the 4 quarters ended 6/30/03, the available interest and dividend earnings were considerably less than the Contractor's actual operating expenses. **(Schedule 3)**

The Cemetery's current policies for trusting, investments and contractor reimbursement has not been carefully evaluated in terms of sustaining the Cemeteries indefinitely.

The City's Cemetery System may become a financial burden after all the burial rights are sold because the City is obligated to maintain the Cemetery System in perpetuity regardless of available earnings.

RECOMMENDATION 15

The Finance Director, in conjunction with the Cemetery Board, should consider retaining the services of an independent actuary to evaluate the soundness of our trusting; investment and reimbursement policies. The actuary should determine if our current policies reasonably assure the maintenance of the Cemeteries indefinitely.

MANAGEMENT COMMENT

Management concurred in principle with the finding and recommendation and stated: "If the corpus can never be touched, then the trust fund is indeed perpetual. For the March 2004 discussion with the Cemetery Advisory Board, the existence of cemetery actuaries and the merit of their use will be researched and then discussed with the Board." **Estimate completion date April 2, 2004.**

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FINDING 12

The City does not have any documentary evidence to support that the prices assessed by the Contractor for property and services were competitive based on the local market. Furthermore, prices used were not approved by a resolution of the City Commission.

According to paragraph 10 of the Original Agreement page 3, the Contractor shall price merchandise and services to be competitive with area cemeteries... The City shall conduct an annual review of the Contractor’s pricing policy to determine if the Contractor is in compliance with the competitive pricing policy. For the annual review, the contractor shall submit its current pricing and pricing policies with supportive documentation as regards its competitive position.

City Code of Municipal Ordinance, Chapter 10, Section 29 states the prices to be charged for plots, crypts, niches, merchandise and services within the municipal cemetery system shall be as established by the cemetery manager, subject to review by the cemetery system board of trustees and with the approval by resolution of the City Commission.

Price List Effective Dates	Annual Period	Price Comparison indicates Cemetery Pricing is Competitive	Price Comparison Supported with External Documentation	Was Price List Approved by the Cemetery Board?	Was Price List Approved by a Resolution of the City Commission?
6/1/01 – 5/31/02	yes	yes	No	Yes	No
6/1/02 – 5/31/03	yes	yes	No	Yes	No
6/1/03 – 5/31/04	yes	yes	No	Yes	No

As a matter of procedure, the City routinely accepted, without support documentation, the comparative data offered by the Contractor and no actions were taken to request City Commission approval of the cemetery price list.

Providing supportive documentation of competitor pricing adds credibility to the annual price review and assures that The City’s Cemetery System price structure is competitive in the local market.

REPORT OF AUDIT NO. 03/04-XX-05

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Cemetery Liaison* should:

Recommendation 16. *Require the Contractor to obtain documentary proof of competitive prices as part of their annual price survey and the Cemetery Liaison should be responsible for the verification of this contractual requirement*

Management Comment. *Management concurred in principle with the finding and recommendation and stated:* “The City obtained from the Contractor the price list of all the private sector cemeteries for those periods in question. The comparison pricing used for other municipal cemeteries for 2003 was verbally obtained. Municipal cemeteries had not been used in past competitive pricing reviews since they did not meet standards and services provided by our cemeteries. A Cemetery Advisory Board of Trustee members added municipal cemeteries to this price comparison as a request. Our review of the information submitted to the Cemetery Advisory Board of Trustees and City Commission was accurate in showing the competitive pricing.” **This item is closed.**

Recommendation 17. *On an annual basis via the Cemetery Board of Trustees, ensure the annual approved price list is authorized by a resolution of the City Commission in accordance with Section 10-29 of Chapter 10 (Cemetery System) of the City.*

Management Comment. *Management concurred in principle with the recommendation and stated:* “The contract requirement is only for the City to determine if the annual price list is competitive and not to approve the pricing. Since there may be a conflict between the agreement and City Ordinance requiring City Commission approval, this will be forwarded to the City Attorney for an opinion to determine the corrective action that may be needed.” **Estimate completion date April 2, 2004.**

REPORT OF AUDIT NO. 03/04-XX-05

FINDING 13

The City's General Fund revenues could be maximized by an additional \$241,351 if the consumer price index factor was applied annually as opposed to five year intervals.

Cost of living revenue adjustments should be applied annually in multi-year contracts to maximize revenues to the City and preserve the purchasing power of the City's funds.

According to Paragraph 23 (a) on page 5 of the Original Cemetery Agreement dated 5/12/93:

For the initial five (5) year term, an annual base payment of four hundred thousand dollars (\$400,000.00) for each period of October 1 through the ensuing September 30, to be remitted to the City Treasurer by the first working day of October each year, in advance and without demand by the City...

For each five (5) year option term, the annual base payment to the City shall be subject to an adjustment based upon the Cost of Living Index known as the Consumers' Price Index, United States, All Urban Consumers, for the period in which the year 1967 = 100. The Bureau of Labor Statistics of the United States Department of Labor publishes this Index. The first Adjustment Date shall be October 1, 1998 and thereafter on October 1 of the first year of each five (5) year option term, if exercised. For computation purposes, the Numerator and Denominator are defined as follows:

Numerator – The Consumer Price Index for the month of September preceding each adjustment date

Denominator- The Consumer Price Index for the month of September preceding the prior adjustment date; provided, however, that for the first Adjustment Date shall be the Index for September 1993.

Internal audit performed an analysis to quantify the economic benefit forgone by not applying the consumer price index factor annually.
(Schedule 4)

General Fund revenues could have been increased by \$301,335⁴ based on a future value calculation of the revised annual payments at 5%.

⁴ This is based on a future value calculation of the \$241,351 and specifically includes the time value of money.

REPORT OF AUDIT NO. 03/04-XX-05

RECOMMENDATION 18

The Cemetery Liaison, in conjunction with the Cemetery Board should, upon renewal of the contract, require annual inflationary adjustments based upon the existing Consumer Price Index formula.

MANAGEMENT COMMENT

*Management concurred in principle with the finding and recommendation and stated: “This finding and recommendation will be presented to the Cemetery Advisory Board of Trustees.” **This item is closed.***

EVALUATION OF MANAGEMENT COMMENTS

Management comments provided and actions taken and/or planned are considered responsive to the recommendations with the exception of management comments to recommendations 1, 2 and 7 respectively.

**City of Fort Lauderdale Internal Audit Office
Analysis of 2nd Right Property Sales for the Cemetery System as of 9/20/99**

Ref #	Contract #	Contract Date	2nd Right	Location	Original Liability PC	Original Liability GR	Status	Amount Financed	Peperual Care Due	General Trust Due	Total Due	UnearnedP C	Unearned GR	Comments
1	20000246-P	03/02/00	\$ 350.00	LMP	\$ 35.00	\$ 31.50	Pd	-	\$ 35.00	\$ 31.50	\$ 66.50	-	-	
2	20000331-P	03/24/00	-	LMP	25.00	22.50	Pd	2,903.70	25.00	22.50	47.50	-	-	N/C Sale \$25.00 min PC applicable
3	20000480-A	05/03/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
4	20000535-A	05/17/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
5	20000542-P	05/19/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
6	20000588-P	05/26/00	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
7	20000609-A	06/03/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
8	20000627-P	06/13/00	350.00	LMP	35.00	31.50	Pd	2,009.70	35.00	31.50	66.50	-	-	
9	20000636-A	06/09/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
10	20000777-A	06/17/00	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
11	20000931-P	08/03/00	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
12	20001001-A	08/18/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
13	20001004-P	08/22/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
14	20001013-A	08/23/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
15	20001022-A	08/22/00	-	LMP	25.00	22.50	Pd	-	25.00	22.50	47.50	-	-	N/C Sale \$25.00 min PC applicable
Legend: PC = Perpetual Care GR = General Reserve LMP- Lauderdale Memorial Park Cemetery EVG - Evergreen Cemetery SUN - Sunset Memorial Gardens Pd - Paid Account C3 - Cancelled within first 30 days AC - Active Account with a Receivable Balance CR - Contract Cancelled at the Customer's Request CT - Cancelled Contract - Account Transferred i.e rewritten to another contract.														

City of Fort Lauderdale Internal Audit Office
Analysis of 2nd Right Property Sales for the Cemetery System as of 9/20/99

Ref #	Contract #	Contract Date	2nd Right	Location	Original Liability PC	Original Liability GR	Status	Amount Financed	Peperual Care Due	General Trust Due	Total Due	UnearnedP C	Unearned GR	Comments
16	20001112-P	09/22/00	350.00	LMP	35.00	31.50	Pd	1,734.70	35.00	31.50	66.50	-	-	
17	20001117-P	09/24/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
18	20001122-P	09/25/00	350.00	LMP	35.00	31.50	CR	-	0.00	-	-	35.00	31.50	
19	20001152-A	10/03/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
20	20001154-A	10/02/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
21	20001166-P	10/12/00	350.00	LMP	35.00	31.50	AC	2,112.70	17.82	16.04	33.86	17.18	15.46	
22	20001200-P	10/06/00	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
23	20001247-P	10/27/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
24	20001313-A	11/18/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
25	20001321-A	11/16/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
26	20001340-P	11/11/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
27	20001377-P	12/08/00	350.00	LMP	35.00	31.50	Pd	1,014.00	35.00	31.50	66.50	-	-	
28	20001452-P	12/27/00	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
29	20010024-A	01/10/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
30	20010033-A	01/04/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
31	20010043-P	01/17/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
32	20010054-A	01/25/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
33	20010072-P	01/30/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
34	20010135-P	02/05/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
35	20010156-P	02/12/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
36	20010208-P	03/02/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
37	20010260-P	03/24/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
38	20010338-P	04/09/01	350.00	LMP	35.00	31.50	Pd	1,468.40	35.00	31.50	66.50	-	-	
39	20010347-P	04/07/01	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
40	20010389-P	04/26/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
41	20010400-P	04/30/01	350.00	LMP	35.00	31.50	AC	2,623.70	19.07	17.16	36.23	15.93	14.34	
42	20010416-P	04/24/01	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
43	20010431-P	05/08/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
44	20010468-A	05/16/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
45	20010530-P	06/05/01	375.00	LMP	37.50	33.75	Pd	3,626.70	37.50	33.75	71.25	-	-	
46	20010534-P	06/03/01	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
47	20010605-P	06/18/01	375.00	LMP	37.50	33.75	Pd	3,997.65	37.50	33.75	71.25	-	-	

**City of Fort Lauderdale Internal Audit Office
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48	20010615-A	06/19/01	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
49	20010705-A	07/03/01	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
50	20010748-A	07/23/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
51	20010766-A	07/30/01	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
52	20010799-P	08/03/01	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
53	20010818-P	08/06/01	350.00	LMP	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
54	20010857-P	08/23/01	375.00	LMP	37.50	33.75	Pd	1,660.00	37.50	33.75	71.25	-	-	
55	20011037-W	10/15/01	200.00	LMP	20.00	18.00	Pd	-	20.00	18.00	38.00	-	-	
56	20011096-P	11/01/01	350.00	LMP	35.00	31.50	AC	2,938.70	14.89	13.40	28.30	20.11	18.10	
57	20011098-D	11/07/01	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
58	20011146-P	11/16/01	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
59	20011203-A	11/28/01	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
60	20011221-A	12/12/01	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
61	20011285-A	12/31/01	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
62	20011292-P	01/08/02	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
63	20011376-P	01/05/02	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
64	20011440-A	02/19/02	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
65	20011478-U	03/05/02	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
66	20011543-P	03/18/02	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
67	20011576-P	03/29/02	375.00	LMP	37.50	33.75	Pd	2,240.00	37.50	33.75	71.25	-	-	
68	20011587-P	03/29/02	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
69	20011651-P	04/24/02	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
70	20011666-P	04/25/02	375.00	LMP	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
71	20011730-P	04/24/02	400.00	LMP	40.00	36.00	AC	3,359.75	10.79	9.71	20.50	29.21	26.29	
72	20011743-A	05/24/02	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
73	20011749-A	05/11/02	400.00	LMP	40.00	36.00	Pd	875.00	40.00	36.00	76.00	-	-	
74	20011762-A	05/28/02	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
75	20011777-P	06/05/02	400.00	LMP	40.00	36.00	Pd	765.00	40.00	36.00	76.00	-	-	
76	20011778-P	06/10/02	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
77	20011818-P	06/04/02	400.00	LMP	40.00	36.00	Pd	2,031.50	40.00	36.00	76.00	-	-	
78	20011837-P	06/22/02	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
79	20011928-P	06/27/02	400.00	LMP	40.00	36.00	Pd	945.00	40.00	36.00	76.00	-	-	
80	20011980-P	07/26/02	400.00	LMP	40.00	36.00	Pd	2,979.00	40.00	36.00	76.00	-	-	
81	20012003-P	08/12/02	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
82	20012036-P	08/19/02	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	

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83	20012066-P	08/26/02	400.00	LMP	40.00	36.00	AC	1,560.00	37.18	33.46	70.64	2.82	2.54	
84	20012070-P	09/07/02	400.00	LMP	40.00	36.00	Pd	2,853.00	40.00	36.00	76.00	-	-	
85	20012109-P	09/09/02	400.00	LMP	40.00	36.00	CT	3,635.00	0.00	-	-	40.00	36.00	
86	20012121-P	09/21/02	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
87	20012216-A	09/23/02	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
88	20012300-A	10/21/02	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
89	20012413-A	11/11/02	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
90	20012492-P	12/10/02	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
91	20012537-P	01/02/03	400.00	LMP	40.00	36.00	Pd	945.00	40.00	36.00	76.00	-	-	
92	20012551-A	01/16/03	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
93	20012630-A	01/13/03	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
94	20012664-P	01/29/03	400.00	LMP	40.00	36.00	AC	1,230.00	15.88	14.29	30.17	24.12	21.71	
95	20012791-P	02/07/03	400.00	LMP	40.00	36.00	AC	2,785.00	6.05	5.44	11.49	33.95	30.56	
96	20012835-P	03/12/03	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
97	20012959-W	03/19/03	600.00	LMP	60.00	54.00	Pd	-	60.00	54.00	114.00	-	-	
98	20012966-P	04/28/03	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
99	20012972-P	04/30/03	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
100	20013011-P	05/01/03	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
101	20013071-P	05/28/03	400.00	LMP	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
102	20013075-P	05/29/03	400.00	LMP	40.00	36.00	AC	3,765.00	10.33	9.30	19.62	29.67	26.70	
103	20013110-D	06/01/03	400.00	LMP	40.00	36.00	AC	1,045.00	14.14	12.72	26.86	25.86	23.28	
104	20013181-P	06/18/03	500.00	LMP	50.00	45.00	Pd	2,335.00	50.00	45.00	95.00	-	-	
105	20013232-P	06/28/03	500.00	LMP	50.00	45.00	Pd	-	50.00	45.00	95.00	-	-	
106	20013251-P	07/01/03	500.00	LMP	50.00	45.00	AC	4,456.00	5.65	5.09	10.74	44.35	39.91	
107	20013268-P	07/05/03	500.00	LMP	50.00	45.00	AC	2,065.00	28.51	25.66	54.16	21.49	19.34	
108	20013342-A	07/30/03	500.00	LMP	50.00	45.00	Pd	-	50.00	45.00	95.00	-	-	
109	20013343-P	07/30/03	500.00	LMP	50.00	45.00	AC	1,035.00	8.45	7.61	16.06	41.55	37.39	
110	20013391-P	08/09/03	500.00	LMP	50.00	45.00	Pd	-	50.00	45.00	95.00	-	-	
111	20013403-P	08/16/03	500.00	LMP	50.00	45.00	AC	5,073.00	14.90	13.41	28.31	35.10	31.59	
112	20013404-P	08/18/03	500.00	LMP	50.00	45.00	Pd	-	50.00	45.00	95.00	-	-	
113	20013410-P	08/21/03	500.00	LMP	50.00	45.00	AC	2,180.00	50.00	45.00	95.00	-	-	
114	20013420-P	08/22/03	500.00	LMP	50.00	45.00	AC	1,845.00	5.42	4.88	10.31	44.58	40.12	
115	20013172-P	11/18/02	400.00	SUN	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
116	20012522-P	07/11/02	400.00	SUN	40.00	36.00	CN	1,765.50	0.00	-	-	40.00	36.00	
117	20011881-P	02/05/02	281.25	SUN	28.13	25.31	Pd	-	28.13	25.31	53.44	-	-	
118	20000243-A	03/09/00	350.00	EVG	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
119	20000287-P	05/30/00	350.00	EVG	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
120	20000321-P	10/10/00	350.00	EVG	35.00	31.50	AC	2,169.70	14.91	13.42	28.33	20.09	18.08	

**City of Fort Lauderdale Internal Audit Office
Analysis of 2nd Right Property Sales for the Cemetery System as of 9/20/99**

Ref #	Contract #	Contract Date	2nd Right	Location	Original Liability PC	Original Liability GR	Status	Amount Financed	Peperual Care Due	General Trust Due	Total Due	UnearnedP C	Unearned GR	Comments
121	20010048-P	05/25/01	350.00	EVG	35.00	31.50	Pd	550.00	35.00	31.50	66.50	-	-	
122	20010054-P	05/31/01	350.00	EVG	35.00	31.50	Pd	-	35.00	31.50	66.50	-	-	
123	20010069-P	08/09/01	375.00	EVG	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
124	20010137-P	02/08/02	375.00	EVG	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
125	20010171-P	04/19/02	375.00	EVG	37.50	33.75	Pd	337.00	37.50	33.75	71.25	-	-	
126	20010174-P	04/22/02	375.00	EVG	37.50	33.75	AC	2,220.00	11.93	10.74	22.67	25.57	23.01	
127	20010178-P	04/29/02	375.00	EVG	37.50	33.75	Pd	-	37.50	33.75	71.25	-	-	
128	20010197-P	07/09/02	400.00	EVG	40.00	36.00	CT	360.00	0.00	-	-	40.00	36.00	
129	20010219-P	10/14/02	400.00	EVG	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
130	20010229-P	11/29/02	400.00	EVG	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
131	20010243-P	01/28/03	400.00	EVG	40.00	36.00	AC	770.00	36.67	33.00	69.68	3.33	3.00	
132	20010254-P	02/21/03	400.00	EVG	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
133	20010262-A	03/07/03	400.00	EVG	40.00	36.00	Pd	-	40.00	36.00	76.00	-	-	
134	20010312-P	06/19/03	500.00	EVG	50.00	45.00	C3	1,885.00	0.00	-	-	50.00	45.00	
135	20010331-P	07/22/03	500.00	EVG	50.00	45.00	Pd	-	50.00	45.00	95.00	-	-	
136	20010332-P	07/28/03	500.00	EVG	50.00	45.00	Pd	-	50.00	45.00	95.00	-	-	
137	20010344-A	08/21/03	500.00	EVG	50.00	45.00	Pd	-	50.00	45.00	95.00	-	-	
138	20010345-P	08/21/03	500.00	EVG	50.00	45.00	Pd	-	50.00	45.00	95.00	-	-	
			\$ 52,931.25		\$ 5,343.13	\$ 4,808.81			\$ 4,703.22	\$ 4,232.90	\$ 8,936.11	\$ 639.91	\$ 575.92	
							Perpetual Care		\$ 5,343.13					
							General Reserve Trust		4,808.81					
Additional Trust Funds Due from the Contractor re: 2nd Right Property sales								Total Due	\$ 10,151.94					

**City of Fort Lauderdale Internal Audit Office
Analysis of Perpetual Care General Reserve Corpus**

		Lauderdale Memorial Park			Sunset Memorial Park			Evergreen Cemetery			
		Perpetual	General	Monument	Perpetual	General	Monument	Perpetual	General	Monument	Total
	Jul-03	\$ 5,943	\$ 5,350	\$ 3,039	\$ 5,011	\$ 4,510	\$ 4,149	\$ 5,069	\$ 4,563	\$ 510	\$ 38,144
	Jun-03	\$ 6,249	\$ 5,625	\$ 3,972	\$ 5,519	\$ 4,967	\$ 3,038	\$ 620	\$ 558	\$ 259	\$ 30,809
	May-03	\$ 5,616	\$ 5,054	\$ 4,075	\$ 4,124	\$ 3,685	\$ 3,768	\$ 1,951	\$ 992	\$ 1,351	\$ 30,616
	Apr-03	\$ 10,514	\$ 9,461	\$ 3,773	\$ 4,316	\$ 3,704	\$ 2,838	\$ 2,132	\$ 1,918	\$ 689	\$ 39,345
	Mar-03	\$ 3,412	\$ 3,072	\$ 3,277	\$ 5,494	\$ 4,945	\$ 4,345	\$ 1,603	\$ 1,444	\$ 240	\$ 27,832
	Feb-03	\$ 6,690	\$ 6,022	\$ 2,952	\$ 4,731	\$ 4,258	\$ 3,479	\$ 567	\$ 510	\$ 424	\$ 29,634
	Jan-03	\$ 8,687	\$ 7,818	\$ 4,565	\$ 4,617	\$ 4,130	\$ 2,945	\$ 2,467	\$ 2,220	\$ 383	\$ 37,832
	Dec-02	\$ 5,447	\$ 4,792	\$ 4,828	\$ 4,485	\$ 4,036	\$ 3,817	\$ 725	\$ 652	\$ 212	\$ 28,995
	Nov-02	\$ 8,058	\$ 7,224	\$ 3,525	\$ 4,078	\$ 3,670	\$ 3,406	\$ 1,340	\$ 1,206	\$ 178	\$ 32,686
	Oct-02	\$ 5,060	\$ 4,554	\$ 4,048	\$ 4,223	\$ 3,801	\$ 2,555	\$ 737	\$ 663	\$ 179	\$ 25,821
	Sep-02	\$ 3,774	\$ 3,370	\$ 3,237	\$ 4,522	\$ 4,070	\$ 2,595	\$ 1,442	\$ 1,298	\$ 185	\$ 24,493
	Aug-02	\$ 5,140	\$ 4,626	\$ 3,218	\$ 4,274	\$ 3,903	\$ 2,660	\$ 6,893	\$ 6,206	\$ 497	\$ 37,419
	Jul-02	\$ 13,060	\$ 11,751	\$ 3,775	\$ 5,517	\$ 4,920	\$ 2,539	\$ 738	\$ 664	\$ 270	\$ 43,233
	Jun-02	\$ 5,940	\$ 5,366	\$ 3,173	\$ 3,887	\$ 3,498	\$ 2,825	\$ 703	\$ 633	\$ 603	\$ 26,628
	Audit 5/31	\$ 5,227	\$ 3,171	\$ -	\$ 4,494	\$ 2,471	\$ -	\$ 696	\$ 56	\$ -	\$ 16,115
	May-02	\$ 11,971	\$ 10,770	\$ 3,005	\$ 3,935	\$ 3,542	\$ 2,612	\$ 1,465	\$ 1,318	\$ 76	\$ 38,696
	Apr-02	\$ 5,994	\$ 5,395	\$ 3,720	\$ 3,204	\$ 2,884	\$ 2,316	\$ 2,297	\$ 2,067	\$ 712	\$ 28,589
	Mar-02	\$ 6,568	\$ 5,911	\$ 4,814	\$ 5,095	\$ 4,586	\$ 3,778	\$ 1,998	\$ 1,797	\$ 536	\$ 35,083
	Feb-02	\$ 6,654	\$ 5,989	\$ 4,146	\$ 6,012	\$ 5,411	\$ 3,752	\$ 1,645	\$ 1,480	\$ 296	\$ 35,385
	Jan-02	\$ 6,053	\$ 5,448	\$ 3,166	\$ 3,759	\$ 3,383	\$ 2,542	\$ 8,411	\$ 7,572	\$ 541	\$ 40,875
	Audit 3/01	\$ 14,799	\$ 10,773	\$ -	\$ 19,210	\$ 11,589	\$ -	\$ 2,541	\$ 2,375	\$ -	\$ 61,288
	Dec-01	\$ 3,531	\$ 3,178	\$ 3,656	\$ 2,620	\$ 2,358	\$ 2,356	\$ 753	\$ 678	\$ 279	\$ 19,409
	Nov-01	\$ 4,446	\$ 4,001	\$ 3,913	\$ 4,618	\$ 4,158	\$ 2,403	\$ 816	\$ 735	\$ 55	\$ 25,145
	Oct-01	\$ 4,707	\$ 4,235	\$ 3,202	\$ 4,885	\$ 4,397	\$ 3,176	\$ 2,135	\$ 1,921	\$ 323	\$ 28,981
ECI/ SCI	Apr-02	\$ 45,879	\$ 43,129	\$ 5,143	\$ 86,212	\$ 76,501	\$ 27,231	\$ (7,134)	\$ (6,286)	\$ 7,113	\$ 277,788
	Total Trust	\$ 209,419	\$ 186,087	\$ 86,222	\$ 208,844	\$ 179,375	\$ 95,127	\$ 42,612	\$ 37,242	\$ 15,910	\$1,060,839
			0.8886			0.8589			0.8740		
		Deposits	Corpus 9/01	Fund Bal 8/2003	Corpus	Retained Earnings	Corpus as % Of Fund Bal				
	Perpetual	\$ 658,134	\$ 3,724,483	\$ 11,108,384	\$ 4,382,617	\$ 6,725,767	39.45%				
	General Reserve	\$ 402,705	\$ 1,336,719	\$ 1,946,537	\$ 1,739,424	\$ 207,113	89.36%				
	Total	\$ 1,060,839	\$ 5,061,202	\$ 13,054,920	\$ 6,122,041	\$ 6,932,880	46.89%				

**City of Fort Lauderdale Internal Audit Office
Analysis of Carriage Services Quarterly Operating Expenses**

Detailed Operating Expenses	Total Quarter Ending 03/02	Total Quarter Ending 04/02	Total Quarter Ending 01/03	Total Quarter Ending 02/03	Annual Totals	% of Subtotal	% of Grand Total
Maintenance Salaries & Benefits							
Salaries Full-Time	\$ 9,954.00	\$ 10,286.00	\$ 8,959.00	\$ 10,544.00	\$ 39,743.00	9.68%	5.10%
Hourly Full-Time	45,327.00	56,188.00	47,590.00	56,389.00	205,494.00	50.04%	26.40%
Hourly Part-Time	7,088.00	6,433.00	5,656.00	8,113.00	27,290.00	6.64%	3.51%
Overtime Full-Time Hourly	5,642.00	9,365.00	5,316.00	16,863.00	37,186.00	9.05%	4.78%
Overtime Full-Time Hourly	85.00	472.00	-	709.00	1,266.00	0.31%	0.16%
Vacation/Holiday	4,619.00	4,357.00	3,508.00	3,460.00	15,944.00	3.88%	2.05%
Sick	351.00	521.00	369.00	1,396.00	2,637.00	0.64%	0.34%
ER FICA Salaries Full-Time	720.00	840.00	735.00	907.00	3,202.00	0.78%	0.41%
ER FICA Hourly Full-Time	4,117.00	5,175.00	4,171.00	5,744.00	19,207.00	4.68%	2.47%
ER FICA Hourly Part-Time	1,248.00	102.00	941.00	64.00	2,355.00	0.57%	0.30%
Group Insurance	19,500.00	7,328.00	9,306.00	10,856.00	46,990.00	11.44%	6.04%
Group Life Insurance	450.00	525.00	517.00	628.00	2,120.00	0.52%	0.27%
Worker's Compensation Insurance	-	1,008.00	601.00	803.00	2,412.00	0.59%	0.31%
Long Term Disability Insurance	339.00	271.00	243.00	301.00	1,154.00	0.28%	0.15%
SUTA Full-Time Salaries	-	-	100.00	-	100.00	0.02%	0.01%
SUTA Hourly Full-Time	238.00	331.00	770.00	539.00	1,878.00	0.46%	0.24%
SUTA Hourly Part-Time	84.00	93.00	80.00	126.00	383.00	0.09%	0.05%
FUTA Full-Time Salaries	-	-	57.00	-	57.00	0.01%	0.01%
FUTA Hourly Full-Time	141.00	196.00	432.00	301.00	1,070.00	0.26%	0.14%
FUTA Hourly Part-Time	50.00	54.00	45.00	59.00	208.00	0.05%	0.03%
Subtotal	99,953.00	103,545.00	89,396.00	117,802.00	410,696.00	100.00%	52.75%
Facilities & Grounds							
Utilities	21,195.00	29,368.00	26,017.00	28,012.00	104,592.00	32.74%	13.43%
Facilities Equipment Rental	130.00	-	-	-	130.00	0.04%	0.02%
Facilities Repairs & Maintenance	1,550.00	886.00	246.00	2,332.00	5,014.00	1.57%	0.64%
Legend:							
ER FICA	Employer Portion of Federal Insurance Contribution Act						
SUTA	State Unemployment Tax						
FUTA	Federal Unemployment Tax						

**City of Fort Lauderdale Internal Audit Office
Analysis of Carriage Services Quarterly Operating Expenses**

Detailed Operating Expenses	Total Quarter Ending 03/02	Total Quarter Ending 04/02	Total Quarter Ending 01/03	Total Quarter Ending 02/03	Annual Totals	% of Subtotal	% of Grand Total
Small Tool & Supplies	93.00	71.00	35.00	172.00	371.00	0.12%	0.05%
Trash Pick-Up	5,368.00	2,415.00	4,820.00	3,592.00	16,195.00	5.07%	2.08%
Grounds Repairs & Maintenance	9,803.00	14,939.00	18,819.00	17,647.00	61,208.00	19.16%	7.86%
Grounds Small Tools & Supplies	10,619.00	16,542.00	14,046.00	21,578.00	62,785.00	19.65%	8.06%
Grounds Equipment Rental	738.00	1,403.00	750.00	373.00	3,264.00	1.02%	0.42%
Grounds Uniforms	6,070.00	4,732.00	5,429.00	11,601.00	27,832.00	8.71%	3.57%
Grounds Fertilizer	1,889.00	7,672.00	2,147.00	10,497.00	22,205.00	6.95%	2.85%
Grounds Shrubs/Plants/Trees	2,168.00	4,421.00	3,386.00	3,249.00	13,224.00	4.14%	1.70%
Ground-Marker Repair/Replace	1,194.00	273.00	-	1,198.00	2,665.00	0.83%	0.34%
Subtotal	60,817.00	82,722.00	75,695.00	100,251.00	319,485.00	100.00%	41.04%
Transportation							
Repair & Maintenance 3rd Party	6,751.00	5,833.00	5,359.00	9,656.00	27,599.00	57.10%	3.55%
Repair & Maintenance Parts	-	848.00	-	-	848.00	1.75%	0.11%
Oil & Gas	4,685.00	4,489.00	4,987.00	4,754.00	18,915.00	39.13%	2.43%
Tags & Licenses	-	104.00	299.00	237.00	640.00	1.32%	0.08%
Tires	-	-	-	336.00	336.00	0.70%	0.04%
Subtotal	11,436.00	11,274.00	10,645.00	14,983.00	48,338.00	100.00%	6.21%
Grand Total	\$ 172,206.00	\$ 197,541.00	\$ 175,736.00	\$ 233,036.00	\$ 778,519.00		100.00%
Amount Reimbursed to Carriage	\$ 108,359.33	\$ 114,839.32	\$ 118,316.02	\$ 116,098.17	\$ 457,612.84		
Unreimbursed Expenses	\$ 63,846.67	\$ 82,701.68	\$ 57,419.98	\$ 116,937.83	\$ 320,906.16		
Reimbursed %	62.9%	58.1%	67.3%	49.8%	58.8%		
Unreimbursed %	37.1%	41.9%	32.7%	50.2%	41.2%		
	100.0%	100.0%	100.0%	100.0%	100.0%		

**City of Fort Lauderdale Internal Audit
Analysis of CPI Adjusted Annual Base Payment from the Cemetery Contractor to the City of Fort Lauderdale**

	Month	Index Factor	If Annual Adjustments	Annual Payment adjusted every 5 years	Actual Payment in FAMIS	Difference	Future Value of one 5% Factor	# of periods	Future Value of Payments if CPI adjusted annually	Future Value of Actual Payments
	Sep-93	434.70	\$ 166,665.00	\$ 166,665.00			1.629	10	\$ 271,497.29	\$ 271,497.29
	Sep-94	447.50	411,778.00	400,000.00			1.551	9	638,667.68	620,400.00
	Sep-95	459.00	422,360.00	400,000.00			1.477	8	623,825.72	590,800.00
	Sep-96	472.70	434,966.00	400,000.00			1.407	7	611,997.16	562,800.00
	Sep-97	483.00	444,444.00	400,000.00			1.340	6	595,554.96	536,000.00
adjusted	Sep-98	490.10	450,977.00	450,978.00	450,999.00	(21.00)	1.276	5	575,446.65	575,447.93
	Sep-99	502.90	462,755.00	450,978.00	450,999.00	(21.00)	1.216	4	562,710.08	548,389.25
	Sep-00	520.30	478,766.00	450,978.00	450,999.00	(21.00)	1.158	3	554,411.03	522,232.52
	Sep-01	534.00	491,372.00	450,978.00	450,999.00	(21.00)	1.103	2	541,983.32	497,428.73
	Sep-02	542.10	498,825.00	450,978.00	450,999.00	(21.00)	1.050	1	523,766.25	473,526.90
adjusted	Sep-03	553.00	508,855.00	508,857.00	508,880.73	(21.00)	1.000	0	508,855.00	508,857.00
			\$ 4,771,763.00	\$ 4,530,412.00	\$ 2,763,875.73	\$ (105.00)			\$ 6,008,715.13	\$ 5,707,379.62
Additional Revenue to the City if contract allowed annual CPI adjustments without recognizing the time value of money				241,351.00						
Additional Revenue to the City if contract allowed annual CPI adjustments recognizing the time value of money at 5%				301,335.51	Economic Benefit Foregone without annual CPI adjustments					
<div style="border: 1px solid black; padding: 5px; width: fit-content;"> Preliminary Value based upon August 2003 CPI Value. Final Value to be determined pending release of the September 2003 CPI indicator </div>										
Legend:										
CPI	Consumer Price Index									
FAMIS	City's Financial Accounting and Management Information System									

CITY OF FORT LAUDERDALE, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2002

-EXHIBIT-

	CAPITAL PROJECTS			(CONTINUED)	PERMANENT FUNDS			
	EXCISE TAX CONSTRUCTION 1993	EXCISE TAX CONSTRUCTION 1998C	FLORIDA INTER- GOVERNMENTAL CONSTRUCTION 2002	TAX INCREMENT CONSTRUCTION 2003	SUNSHINE STATE CONSTRUCTION 1996	GENERAL RESERVE ENDOWMENT	PERPETUAL CARE	TOTAL
ASSETS								
Cash and Cash Equivalents	\$ 0	0	0	0	0	0	0	9,800,248
Investments	0	0	0	0	0	0	0	308,255
Receivables								
Property Taxes	0	0	0	0	0	0	0	186,135
Due from Other Funds	0	0	0	0	23,369	0	0	23,369
Due from Other Governments	0	0	0	0	0	0	0	354,501
Inventories	0	0	0	0	0	0	0	8,428,061
Restricted Assets								
Cash and Cash Equivalents	0	0	0	0	30,400	0	0	926,647
Investments	748,797	5,765,686	0	0	225,141	1,662,551	10,112,582	32,951,794
Accrued Dividends and Interest	0	0	0	0	0	5,671	86,502	92,173
Total Assets	\$ 748,797	5,765,686	0	0	278,910	1,668,222	10,199,084	53,071,183
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Vouchers Payable	\$ 0	0	13,490	70,427	0	0	0	390,692
Contracts Payable	0	0	0	0	0	0	0	29,326
Accrued Payroll	0	0	0	0	0	0	0	37,232
Due to Other Funds	0	23,369	4,252	202,084	291,908	0	0	521,613
Payable from Restricted Assets								
Vouchers Payable	0	383,980	0	0	23,335	10,746	106,574	1,965,293
Contracts Payable	734	71,173	0	0	630	0	0	232,137
Deposits	0	0	0	0	0	0	0	291,241
Deferred Revenue	0	0	0	0	0	0	0	186,135
Total Liabilities	734	478,522	17,742	272,511	315,873	10,746	106,574	3,653,669
FUND BALANCES								
Reserved for								
Encumbrances	552,112	19,734	120,805	164,506	273,829	0	0	10,350,515
Inventories	0	0	0	0	0	0	0	8,428,061
Endowments	0	0	0	0	0	1,657,476	10,092,510	11,749,986
Debt Service	0	0	0	0	0	0	0	1,193,715
Unreserved Reported in								
Special Revenue								
Designated for Subsequent Years' Expenditures	0	0	0	0	0	0	0	2,794,302
Undesignated	0	0	0	0	0	0	0	2,324,394
Capital Projects								
Designated for Subsequent Years' Expenditures	119,540	5,117,390	0	0	0	0	0	12,328,734
Undesignated	76,411	150,040	(138,547)	(437,017)	(310,792)	0	0	247,807
Total Fund Balances	748,063	5,287,164	(17,742)	(272,511)	(36,963)	1,657,476	10,092,510	49,417,514
Total Liabilities and Fund Balances	\$ 748,797	5,765,686	0	0	278,910	1,668,222	10,199,084	53,071,183

Continued from Prior Page