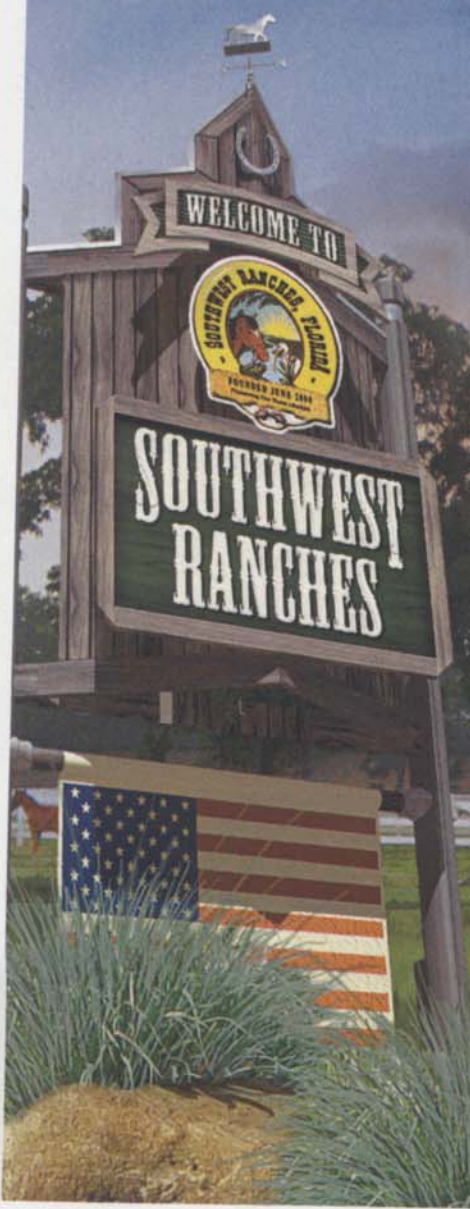


COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended
September 30, 2005



TOWN OF SOUTHWEST RANCHES

6589 SW 160th Avenue
Southwest Ranches, FL 33331
954-434-0008
www.swranches.org



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Town of Southwest Ranches, Florida

Fiscal Year Ended
September 30, 2005



Prepared by
Town Administrator

6589 SW 160th Avenue Southwest Ranches, FL 33331
Tel. 954-434-0008 Fax 954-434-1490
www.southwestranches.org

SOUTHWEST RANCHES

**“The Vision of the Town of Southwest Ranches
is to enhance and preserve
the unique rural character of its community.**

**The Town shall promote, maintain and
protect its agricultural,
residential and equestrian lifestyles,
sensitive to the natural environment.”**

MOTTO

“Preserving Our Rural Lifestyle”

TOWN OF SOUTHWEST RANCHES, FLORIDA

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Town of Southwest Ranches

John Canada
Town Administrator
6589 S. W. 160 Avenue
Southwest Ranches, FL 33331
Phone: (954) 434-0008
Fax: (954) 434-1490
Email: jcanada@swranches.org

April 24, 2006

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

Dear Mayor, Vice Mayor and Council Members:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Southwest Ranches, Florida, for the fiscal year ended September 30, 2005, pursuant to Section 218.39 of the Florida Statutes and Town Charter. The financial statements included in this report conform to the generally accepted accounting principles in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. The financial statements have been audited by BKR-Garcia Company, PLLC, Certified Public Accountants. The independent auditor has issued an unqualified opinion that this report fairly represents the financial position of the Town and complies with all reporting standards noted above.

The CAFR is divided into three parts. The Introductory Section provides a summary of the contents of the entire report and general information about the reporting entity. The Financial Section includes the Auditor's Opinion, Management's Discussion and Analysis (MD&A), the Basic Financial Statements, Notes to the Basic Financial Statements, and Required Supplementary Information. The Statistical Section includes a number of tables that provide historical, social, economic and financial trend data that offers an overview of the Town's fiscal situation. Accounting principles generally accepted in the United States of America requires that management provide a narrative introduction, overview and analysis to accompany the basic Financial Statements in the form of a Management's Discussion and Analysis. The MD&A can be found immediately following the independent auditors' report.

The Reporting Entity and Services

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

In accordance with GASB 14 as amended by GASB 39 which establishes standards for defining "The Financial Reporting Entity", the Town must include in its report any entity over which the Town has ultimate financial accountability. For fiscal year 2005, there are no other entities included in this report other than the Town itself.

Southwest Ranches provides basic level of municipal services including fire, emergency medical services, law enforcement, park and recreation, solid waste collection, permit review, permit management and code compliance. The Town will be the home to many wonderful parks, that are designed to "Preserve Our Rural Lifestyle". The Town has acquired 153 acres of land for open space needs. These acres of land were acquired through grants from the County and the State with minimal cost to the residents of the Town. In addition, our approximately 7,203 residents "homestead" on minimum one acre sites. We are horse country and most of the homes in the Town are, indeed, ranches. The Town has no sidewalks, street lights or large developments. For many, the closest neighbors were peacocks, possums, foxes and turtles, to name just a few.

Economic Condition and Outlook

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

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

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

Major Initiatives

The Town, through a creative and aggressive grant application plan, has been committed to acquire significant open space and park sites to meet the Town's Comprehensive Plan for parks and preserve open space in support of our rural life style. The challenge of the plan is to acquire these sites with no financial acquisition impact on the residents of the Town. The plan has resulted in the Town owning 153 acres of open space and park land within the first five (5) years of incorporation.

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

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

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

Financial Information

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

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

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

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

Cash Management

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

Debt Administration

The Town in 2002 entered into a loan agreement with the Florida Municipal Loan Council (FMLC) for \$4,985,000. These proceeds were used for the payoff of outstanding obligations, acquisition of certain parks and recreational land and construction of improvements and recreational facilities. The loan bears interest at fixed rate of 4.99%. All required payments of principal and interest were made during the year. The Town participated in The Florida Municipal Loan Program that is sponsored and administered by the Florida League of Cities, Inc. Small and medium-sized cities receive loans from the FMLC, who in turn issues revenue bonds, backed by the MBIA Insurance Corporation, which resulted in the bonds obtaining an AAA rating by Standard & Poors and Fitch Rating. On November 15, 2001, the FMLC issued \$90,210,000 in revenue bonds, Series 2001A. The Town's portion of the revenue bonds was \$4,985,000. The principal balance at year end was \$4,730,000.

During 2004, the Town obtained a line of credit for \$12.8 million to provide funds for acquisition of land. The 100% security for the line of credit was in the form of grant awards from the State and the County and a contract for the sale of designated land to the Broward County School Board. The line of credit balance at 2004 year end was \$2,602,000.

During 2005, the Town paid off the line of credit balance at the end of 2004 of \$2,602,000. The Town obtained two lines of credit for a total of \$8,460,000 to provide for acquisition of land. The 100% security for the lines of credit was in the form of grant awards from the State and the County. By the end of 2005, one of the lines of credit was paid off (\$1,560,000) and the remaining line of credit balance at year end was \$5,036,000. As a separate transaction related to the acquisition of one parcel of land the Town entered into a loan agreement for the issuance of a \$600,000 note with the Community Bank of Broward, for the acquisition of nursery tree and shrub inventory located on the parcel of land acquired.

Independent Audit

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

Awards

The Town has applied for and was awarded the Certificate of Achievement for Excellence in Financial Reporting awarded by the Governmental Finance Officers Association of the United States and Canada (GFOA) for the Town's first ever Comprehensive Annual Financial Report for 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

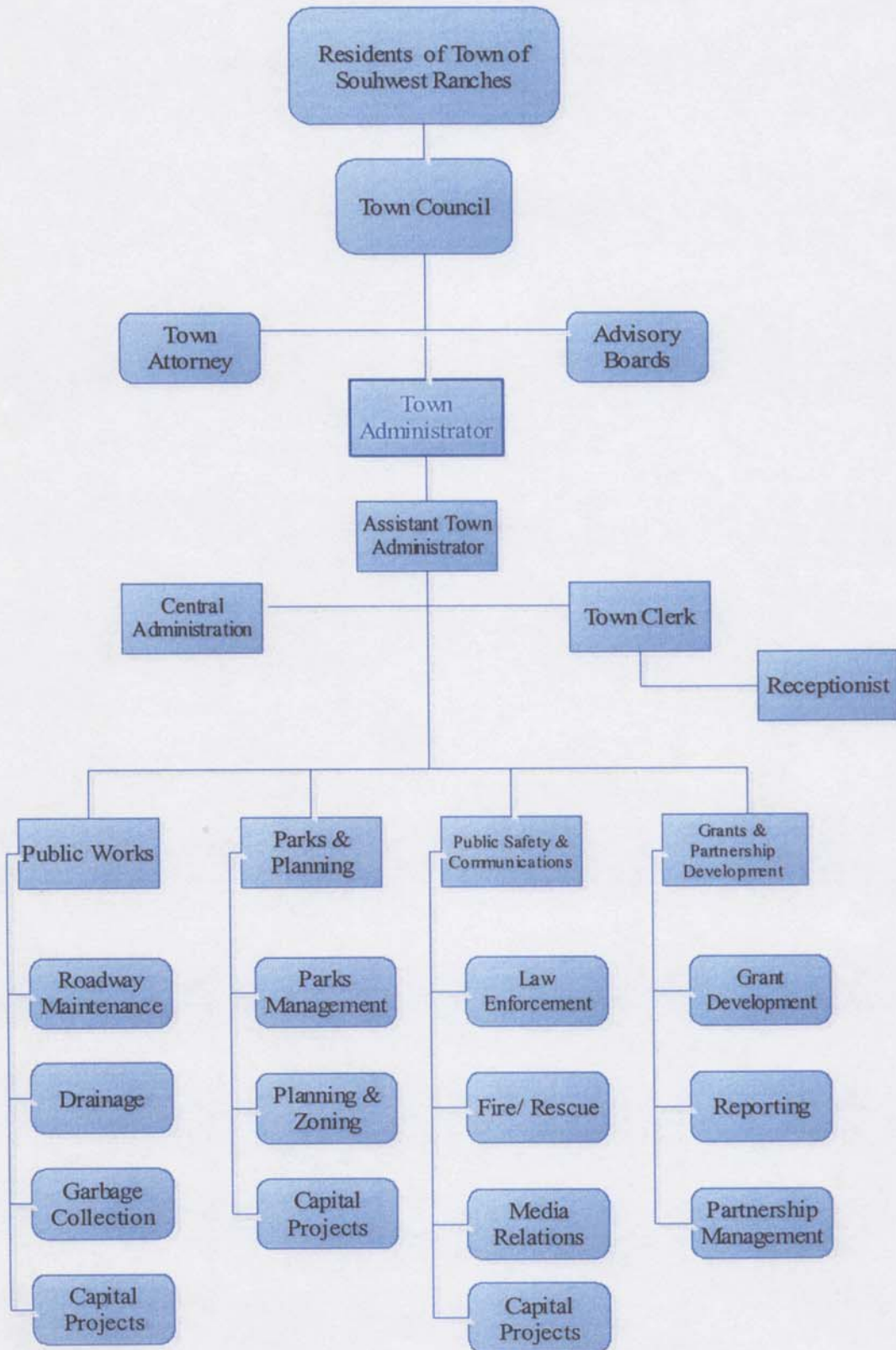
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Town and the Town's audit firm, BKR- Garcia Company, PLLC. We express our appreciation to them for their interest and support in planning and conducting the financial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

Respectfully submitted,



John Canada
Town Administrator

Town of Southwest Ranches Organizational Chart



Town of Southwest Ranches, Florida
Council Administrator Form of Government
Town Charter approved by a majority of qualified voters of the Town on June 6, 2000

TOWN COUNCIL



MECCA FINK
Mayor



DON MAINES
Vice Mayor



FOREST BLANTON
Council Member



ASTER KNIGHT
Council Member



JEFF NELSON
Council Member

TOWN ADMINISTRATION

TOWN ADMINISTRATOR
John Canada

TOWN ATTORNEY
Gary Poliakoff, J.D.

ASSISTANT TOWN ADMINISTRATOR
Bill Busutil

DEPUTY TOWN ATTORNEY
Keith Poliakoff

TOWN CLERK
Susan Owens

FINANCE
Pat Canada

PUBLIC SAFETY & COMMUNICATIONS
Lee Rickles, Program Manager

PUBLIC WORKS
Diana Hansen, Program Manager

PARKS & PLANNING
December Lauretano-Haines, Program Manager



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Southwest Ranches, Florida (the Town) as of and for the fiscal year then ended September 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Southwest Ranches, Florida, as of September 30, 2005, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2006, on our consideration of the Town's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information shown in the introductory, supplementary information and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKR Garcia & Company PLLC

March 24, 2006

MANAGEMENT DISCUSSION & ANALYSIS
(M D & A)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Southwest Ranches, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for fiscal year ended September 30, 2005. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, the Town's financial statements and the other required supplemental information.

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

FINANCIAL HIGHLIGHTS

- The assets of the Town of Southwest Ranches exceeded its liabilities at the close of the most recent fiscal year by \$45,100,165 (net assets). Of this amount, \$38,284,247 is for capital assets and \$6,815,918 is unrestricted.
- The Town's total net assets increased by \$28,428,603 during the current fiscal year. The net assets were restated for 2005 due to the addition of assets for Town roadways and right of ways valued at \$20,166,659. Actual increase in total net assets for 2005 was \$8,261,944. The Town's net assets increased as a result of this year's operations and capital grants and contributions.
- During the year, the General Fund had expenses that were \$876,027 less than the \$7,159,543 generated in tax and other revenues for governmental programs. This is similar to last year, when revenues exceeded expenses by \$872,235.
- Total cost of all of the Town's programs increased by approximately \$2,423,752 or 43 percent due to natural disaster and tree nursery programs added this year.
- The General Fund's fund balance increased to \$4,946,515 for the year ended September 30, 2005.
- At the end of the current year, fund balance designated for contingency and unreserved fund balance for the General Fund was \$4,354,075, an increase of \$1,137,967 from 2004.
- The Town's debt was increased by \$515,000 and a line of credit was increased a net of \$2,949,000 for a total debt of \$10,366,000. Line of credit debt was mainly secured by awarded grants, contracts for sale of property and tree nursery inventory.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements and the required supplementary information*. The Town did not present *combining statements* for nonmajor governmental funds since the only fund was the Special Revenue Transportation Fund. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.

- The *governmental funds* statements show how general government services such as public safety were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Southwest Ranches' finances, in a manner similar to a private-sector business.

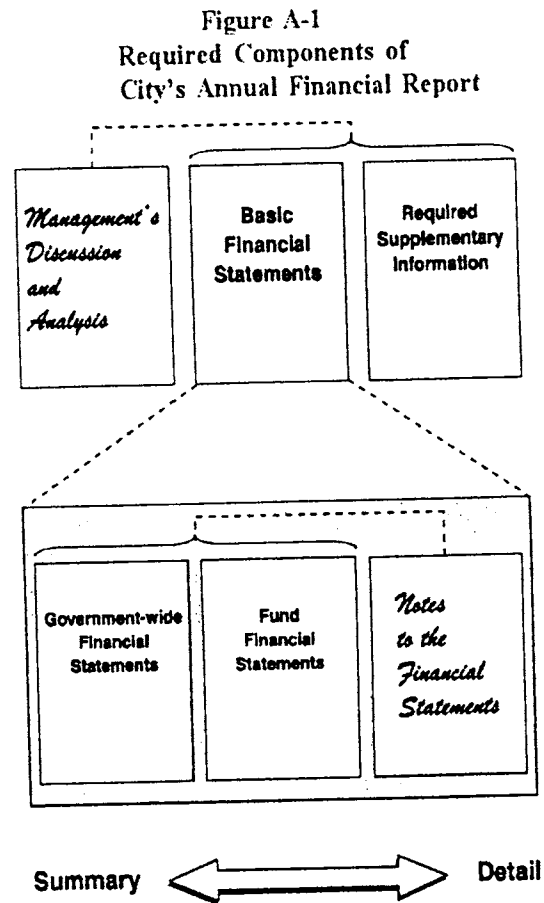
The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Southwest Ranches is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the Town of Southwest Ranches include public safety, community development, parks and recreation, public works and general administration services. The Town does not have any business-type activities.

The government-wide financial statements can be found on pages 11 to 12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Southwest Ranches, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Southwest Ranches are governmental funds.



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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 to 30 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

The Town's net assets were increased to \$45,100,165 between fiscal years 2005 and 2004—(see Table 1). However, a large portion of the net assets (85 percent) is restricted as to the purpose they can be used for or are invested in capital assets (land, buildings, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Total Percentage
	2005	2004	Change 2005-2004
Current and other assets	\$8,736,524	\$ 5,863,299	49%
Capital assets	48,719,594 *	39,024,392 *	25%
Total assets	57,456,118	44,887,691	28%
Long-term debt outstanding	10,435,347	7,489,965	39%
Other liabilities	1,920,606	559,505	243%
Total liabilities	12,355,953	8,049,470	54%
Net assets			
Invested in capital assets, Net of related debt	38,284,247 *	31,534,427 *	21%
Unrestricted	6,815,918	5,303,794	29%
Total net assets	\$45,100,165	\$ 36,838,221	22%

*restated by \$20,166,659 for the addition of infrastructure and rights of ways

A portion of the Town's net assets (\$38,284,247 or 85 percent) represents resources that are invested in the Town's capital assets. The remaining balance of *unrestricted net assets* (\$6,815,918) may be used to meet the Town's ongoing obligations to citizens and creditors.

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

Consequently, invested in capital assets and unrestricted net assets showed increases of approximately \$6,749,820 and \$1,512,124, respectively.

The Town's total revenues increased by 17 percent to \$16,261,680 (see Table 2). Over 54% of the Town's revenues come from capital grants, approximately 15% comes from property taxes, 9% from fees charged for services, 6% from operating grants, and 5% from intergovernmental revenues.

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

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

Some other basic impacts on expenses are reflected below:

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

The Town's expenses cover a range of services, with 28% related to public safety.

Governmental Activities

Revenues for the Town's governmental activities increased 17 percent (from \$13,874,768 to \$16,261,680), while the expenses increased 43 percent (\$5,575,984 to \$7,999,736). The increase in net assets for governmental activities was \$8,261,944 in 2005. This represents a decrease of .4% when compared to 2004.

Table 2
Changes in Town of Southwest Ranches' Net Assets

	Governmental Activities		Total Percentage Change
	2005	2004	2005-2004
Revenues			
Program revenues			
Charges for services	\$1,423,084	\$ 1,453,925	(2)%
Operating grants and contributions	1,044,829	-	-
Capital grants and contributions	8,888,098	7,637,359	16%
General revenues			
Property taxes	2,503,780	2,122,694	18%
Other taxes	1,163,321	1,022,016	14%
Intergovernmental	783,565	956,848	(18)%
Investment income	154,437	46,755	230%
Other Revenue	300,566	635,171	(53)%
Total revenues	<u>16,261,680</u>	<u>13,874,768</u>	17%
Expenses			
General government	1,783,732	835,810	113%
Public safety	2,271,390	2,111,633	8%
Community development	1,018,218	1,023,169	(.5)%
Parks and recreation	240,120	132,391	81%
Public works	1,992,753	938,493	112%
Non-departmental	262,431	140,085	87%
Interest on long-debt	431,092	394,403	9%
Total expenses	<u>7,999,736</u>	<u>5,575,984</u>	43%
Increase in net assets	<u>\$ 8,261,944</u>	<u>\$ 8,298,784</u>	(.4)%

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

In fiscal year 2005, the Town again did not have a millage rate increase. The Town's revenue sources were close to or slightly above the final budget estimates, except for the capital improvement fund. Parks and Recreation increased due to the full year operations of the first Town Park and Public Works increased due to design and management cost for the capital program. The Town's total expenditures were less than budgeted mainly due to unused non-departmental budgets and on going capital projects. The total cost of all programs and services increased by \$2,423,752 or 43 percent (see Table 2).

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported combined fund balances of \$6,872,476, or an increase of \$1,510,051 compared to last year's combined fund balances of \$5,362,425. Included in this year's total change in fund balances is a \$876,027 excess of revenues over expenditures in the Town's General Fund and a \$1,680,599 excess of expenditures over revenues in the Capital Improvement Fund. The primary reasons for the General Fund's excess mirror those highlighted in the analysis of governmental activities above. The primary reason for the Capital Improvement Fund's excess expenditure was the completion of the administrative cost for capital projects and additional acquisition of land. The excess expenditures were funded with prior year available fund balance.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$1,629,725 and were due to additional unanticipated expenditures, which were funded with available fund balance and other revenues.

Capital Assets

As of September 30, 2005, the Town's investment in capital assets amounted to \$48,719,594 (net of accumulated depreciation). The increase in capital assets during the year was due to capital project costs, land acquisitions and recoding of roadways and right of ways.

TOWN OF SOUTHWEST RANCHES' Capital Assets

<u>Governmental activities:</u>	Balance October 1, 2004, as <u>restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2005</u>
Capital assets, not being depreciated:				
Land	\$ 24,069,819	\$ 9,016,721	-	\$ 33,086,540
Construction in progress	<u>14,870</u>	<u>1,165,366</u>	-	<u>1,180,236</u>
Total capital assets, not being depreciated	<u>24,084,689</u>	<u>10,182,087</u>	-	<u>34,266,776</u>
Capital assets, being depreciated/amortized:				
Furniture and equipment	92,731	43,470	-	136,201
Leasehold improvements	100,408	19,269	-	119,677
Buildings	229,760	-	-	229,760
Improvements other than building	2,813,608	-	-	2,813,608
Infrastructure	18,078,496	87,974	-	18,166,470
Intangibles	<u>15,000</u>	<u>28,656</u>	-	<u>43,656</u>
Total capital assets, being depreciated/amortized	<u>21,330,003</u>	<u>179,369</u>	-	<u>21,509,372</u>
Less accumulated depreciation/amortization for:				
Furniture and equipment	(34,392)	(17,953)	-	(52,345)
Leasehold improvements	(46,749)	(22,009)	-	(68,758)
Buildings	(2,298)	(4,595)	-	(6,893)
Improvements other than building	(90,757)	(151,997)	-	(242,754)
Infrastructure	(6,215,354)	(467,484)	-	(6,682,838)
Intangibles	<u>(750)</u>	<u>(2,216)</u>	-	<u>(2,966)</u>
Total accumulated depreciation/amortization	<u>(6,390,300)</u>	<u>(666,254)</u>	-	<u>(7,056,554)</u>
Total capital assets, being depreciated, Net	<u>\$ 39,024,392</u>	<u>\$ 9,695,202</u>	<u>\$ -</u>	<u>\$ 48,719,594</u>

Additional information on the Town's capital assets can be found in note 5, page 23 of this report.

Long-term Debt

At the end of the current fiscal year, the Town had total long-term debt outstanding of \$10,435,347 or \$10,366,000, net of unamortized premium and issuance costs of \$69,347. The debt is secured by pledged revenue sources of the Town.

TOWN OF SOUTHWEST RANCHES' Outstanding Debt

	Balance October 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2005</u>
Notes payable/Loans	<u>\$7,489,965</u>	<u>\$9,060,000</u>	<u>\$6,114,618</u>	<u>\$10,435,347</u>

Additional information on the Town's long-term debt can be found in note 11, pages 26-27 of this report.

Economic Factors and Next Years Budgets and Rates

- The unemployment rate for Broward County is currently 3.5 percent, which is a decrease from a rate of 4.5 percent a year ago. This compares favorably to the state's average unemployment rate of 3.8 percent and the national average rate of 4.8 percent.
- The occupancy rate of the government's central business district has remained stable for the past two years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town of Southwest Ranches' budget for the 2006 fiscal year.

During the current fiscal year, unreserved and designated for contingency fund balance in the general fund increased to \$4,354,075. The Town will budget the audited fund balance in the 2006 fiscal year budget. It is intended that the use of available fund balance will be reserved for future needs, financial stability and unanticipated occurrences.

For fiscal year 2006, the Town maintained for the fifth year a millage rate of 3.0 mills. This is the second lowest millage rate in Broward County. The tax base for the Town increased by 16% for 2006.

Requests for Information

This financial report is designed to provide a general overview of the Town of Southwest Ranches' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Administrator, 6589 S.W. 160 Avenue, Southwest Ranches, Florida 33331.

BASIC FINANCIAL STATEMENTS

TOWN OF SOUTHWEST RANCHES, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

<u>ASSETS</u>	Governmental <u>Activities</u>
Cash and cash equivalents	\$ 2,368,855
Accounts receivable - net	4,516,496
Deposit	10,000
Prepays	22,500
Deferred charges	41,767
Land held for investment	1,194,466
Tree inventory	582,440
Capital assets not being depreciated	
Land	33,086,540
Construction in progress	1,180,236
Capital assets (net of accumulated depreciation and amortization):	
Buildings	222,867
Improvements other than buildings	2,570,853
Intangibles	40,690
Leasehold improvements	50,919
Furniture and equipment	83,857
Infrastructure	11,483,632
Total assets	<u>\$ 57,456,118</u>
 <u>LIABILITIES</u> 	
Accounts payable	\$ 1,820,038
Accrued interest payable	98,325
State sales taxes payable	2,243
Noncurrent liabilities:	
Due within one year	85,000
Due in more than one year	10,350,347
Total liabilities	<u>12,355,953</u>
 <u>NET ASSETS</u> 	
Invested in capital assets, net of related debt	38,284,247
Unrestricted	6,815,918
Total net assets	<u>\$ 45,100,165</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenues and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in Net Assets</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Governmental</u>
					<u>Activities</u>
Governmental activities:					
General government	\$ 1,783,732	\$ -	\$ -	\$ -	\$ (1,783,732)
Public safety	2,271,390	513,438	-	-	(1,757,952)
Community development	1,018,218	296,036	-	-	(722,182)
Parks and recreation	240,120	-	-	9,932,927	9,692,807
Public works	1,992,753	613,610	1,044,829	-	(334,314)
Non-departmental	262,431	-	-	-	(262,431)
Interest on long-term debt	431,092	-	-	-	(431,092)
Total primary government	<u>\$ 7,999,736</u>	<u>\$ 1,423,084</u>	<u>\$ 1,044,829</u>	<u>\$ 9,932,927</u>	<u>4,401,104</u>
General revenues:					
Property taxes					2,503,780
Utility taxes					496,246
Service taxes					230,138
Franchise taxes					436,937
Intergovernmental					(261,264)
Investment income and miscellaneous					455,003
Total general revenues					<u>3,860,840</u>
Change in net assets					8,261,944
Net assets, beginning as restated					<u>36,838,221</u>
Net assets, ending					<u>\$ 45,100,165</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2005

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds (Special Revenue - Transportation Fund)</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 2,368,855	\$ -	\$ -	\$ -	\$ 2,368,855
Accounts receivable - net	1,138,541	3,367,092	-	10,863	4,516,496
Due from other funds	1,341,737	-	-	75,035	1,416,772
Land held for investment	1,194,466	-	-	-	1,194,466
Tree inventory	582,440	-	-	-	582,440
Prepays	22,500	-	-	-	22,500
Deposit	10,000	-	-	-	10,000
Total assets	<u>\$ 6,658,539</u>	<u>\$ 3,367,092</u>	<u>\$ -</u>	<u>\$ 85,898</u>	<u>\$ 10,111,529</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 1,634,746	\$ 179,800	\$ -	\$ 5,492	\$ 1,820,038
State sales taxes payable	2,243	-	-	-	2,243
Due to other funds	75,035	1,341,737	-	-	1,416,772
Total liabilities	<u>1,712,024</u>	<u>1,521,537</u>	<u>-</u>	<u>5,492</u>	<u>3,239,053</u>
Fund balance:					
Designated for contingencies	1,886,300	-	-	-	1,886,300
Reserved for capital projects	10,000	1,603,045	-	-	1,613,045
Reserved for fire wells	-	242,510	-	-	242,510
Reserved for roadway improvements	-	-	-	54,240	54,240
Reserved for tree inventory	582,440	-	-	-	582,440
Unreserved and undesignated	2,467,775	-	-	26,166	2,493,941
Total fund balances	<u>4,946,515</u>	<u>1,845,555</u>	<u>-</u>	<u>80,406</u>	<u>6,872,476</u>
Total liabilities and fund balances	<u>\$ 6,658,539</u>	<u>\$ 3,367,092</u>	<u>\$ -</u>	<u>\$ 85,898</u>	<u>\$ 10,111,529</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

Fund balances - total government funds (Page 13)	\$	6,872,476
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital and intangible assets		55,776,148
Less accumulated depreciation and amortization		(7,056,554)
Bond interest payable not reported in the governmental funds		(98,325)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		41,767
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Governmental bonds payable		<u>(10,435,347)</u>
Net assets of governmental activities (Page 11)	\$	<u>45,100,165</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	General Fund	Capital Improvement Fund	Debt Service Fund	Other Governmental Funds (Special Revenue - Transportation Fund)	Total Governmental Funds
Revenues:					
Ad valorem taxes	\$ 2,503,780	\$ -	\$ -	\$ -	\$ 2,503,780
Special assessments	1,098,521	-	-	-	1,098,521
Utility taxes	496,246	-	-	-	496,246
Service taxes	230,138	-	-	-	230,138
Franchise fees	436,937	-	-	-	436,937
Licenses and permits	296,036	-	-	-	296,036
Intergovernmental	585,926	-	-	197,639	783,565
Fines and forfeitures	28,527	-	-	-	28,527
Grants	1,044,829	8,888,098	-	-	9,932,927
Interest	154,437	-	-	-	154,437
Other	284,166	100	-	16,300	300,566
Total revenues	7,159,543	8,888,198	-	213,939	16,261,680
Expenditures:					
Current:					
General government:					
Town Council	116,815	-	-	-	116,815
Town administration	694,974	191,132	-	-	886,106
Town attorney	271,150	-	-	-	271,150
Total general government	1,082,939	191,132	-	-	1,274,071
Public Safety:					
Police	1,239,322	-	-	-	1,239,322
Fire	1,032,068	-	-	-	1,032,068
Total public safety	2,271,390	-	-	-	2,271,390
Community development	1,018,218	-	-	-	1,018,218
Parks and recreation	83,528	-	-	-	83,528
Public works	1,731,038	-	-	261,715	1,992,753
Non-departmental	44,400	158,014	-	-	202,414
Debt service:					
Principal	-	-	6,111,000	-	6,111,000
Interest	-	-	433,946	-	433,946
Other	-	-	60,017	-	60,017
Total debt service	-	-	6,604,963	-	6,604,963
Capital outlay	52,003	10,219,651	-	92,638	10,364,292
Total expenditures	6,283,516	10,568,797	6,604,963	354,353	23,811,629
(Deficiency) excess of revenues over expenditures	876,027	(1,680,599)	(6,604,963)	(140,414)	(7,549,949)
Other financing sources (uses):					
Proceeds from debt	600,000	8,460,000	-	-	9,060,000
Transfers in	-	242,510	6,604,963	40,000	6,887,473
Transfers out	(861,473)	(6,026,000)	-	-	(6,887,473)
Total other financing sources (uses)	(261,473)	2,676,510	6,604,963	40,000	9,060,000
Net change in fund balance	614,554	995,911	-	(100,414)	1,510,051
Fund balances, beginning of year	4,331,961	849,644	-	180,820	5,362,425
Fund balances, end of year	\$ 4,946,515	\$ 1,845,555	\$ -	\$ 80,406	\$ 6,872,476

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

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

Net change in fund balances - total government funds (Page 15)		\$ 1,510,051
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital outlays	\$ 10,364,292	
Less current year depreciation	<u>(666,253)</u>	9,698,039

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

<u>LONG TERM DEBT</u>		
Principal proceeds	(9,060,000)	
Principal payments	<u>6,111,000</u>	(2,949,000)

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

Accrued interest on long term debt	1,415	
Amortization of re-offering premium	4,989	
Amortization of underwriters discount	(1,371)	
Amortization of bond issuance costs	<u>(2,179)</u>	<u>2,854</u>

Change in net assets of governmental activities (Page 12)		\$ <u>8,261,944</u>
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The accompanying notes are an integral part of the financial statements.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the Town of Southwest Ranches', Florida (the Town), significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The policies are considered essential and should be read in conjunction with the basic financial statements.

The accounting policies of the Town conform to Accounting Principles Generally Accepted in the United States (GAAP) as applicable to governments. The more significant of the Town's accounting policies are described below.

a. *Financial Reporting Entity*

The Town is an instrumentality of the State of Florida, incorporated in accordance with House Bill No. 1777 on June 6, 2000, to carry on a centralized government. The Town Council, which is composed of four Council elected members and the elected Mayor, is responsible for legislative and fiscal control of the Town. The Town is governed under a Council/Administrator form of government. A Town Administrator is appointed by the Council and is responsible for administrative and fiscal control of the resources of the Town maintained in the funds and account groups.

The basic criteria for determining whether another organization should be included in the Town's reporting entity for general-purpose financial statements are financial accountability. Financial accountability includes (1) the appointment of a voting majority of the organization's governing body, (2) the ability of the Town to impose its will on the organization, or (3) if there is a financial benefit/burden relationship. In addition, an organization, which is fiscally dependent on the Town, should be included in its reporting entity. A blended component unit, although a legally separate entity, is, in substance, part of the Town's operations and so data from this unit is combined with data of the Town. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. Based upon the application of these criteria, there was no organization that met the criteria described above.

b. *Government-wide and Fund Financial Statements*

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within six months of the end of the current fiscal year, except for property taxes for which the period is 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, utility taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The **debt service fund** accounts for the payment of long-term debt, principal and interest on such debt.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

d. **New Pronouncements**

Effective October 1, 2004, the Town adopted GASB Statement No. 40 ("GASB 40"), Deposit and Investment Risk Disclosures, which amended GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. The adoption of GASB 40 resulted in changes to the form and content of the Notes to the Financial Statements only, and did not have an impact on the Fund's financial position or result of operations.

e. **Cash and Cash Equivalents**

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

In addition, GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools", requires disclosure of investments at fair value and recognition of unrealized gains or losses, if material, for investments with remaining maturities of more than one year at the time of purchase. Investments with remaining maturities of one year or less at the time of purchase are recorded at amortized cost.

f. **Receivables and Payables**

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

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

g. **Inventories and Prepaids**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

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

h. Ad Valorem Taxes

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

Assessed values are established by the Broward County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the Town. Procedures for the collection of delinquent taxes by Broward County are provided for in the Laws of Florida. There were no material delinquent property taxes at September 30, 2005.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town Commission and the Broward County Property Appraiser, who incorporates the Town's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2005, was 3.000 mills (\$3 per \$1,000 of taxable assessed valuation).

i. Capital Assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Furniture and equipment	5 - 10
Leasehold improvements	5 - 10
Improvements other than buildings	10 - 20
Infrastructure	35 - 40
Buildings	50

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

j. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Long-term debt is reported net of the applicable premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

k. Grant Revenue

The Town, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any) when all applicable eligibility requirements, including time requirements, are met.

Some grants and contributions consist of capital assets or resources that are restricted for capital purposes – to purchase, construct or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the Town. The Town had no grants or contributions that were restricted as of September 30, 2005.

l. Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The description of each reserve or designation indicates the purpose for which each was intended.

Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

m. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

2. CASH AND CASH EQUIVALENTS

The Town does not have a written investment policy; however, it follows Florida Statute 218.415(17) which allows local governments electing not to adopt a written investment policy to invest or reinvest any surplus public funds in their control or possession in:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a national recognized rating agency
- Interest-bearing time deposits or savings accounts in qualified public depositories
- Direct obligations of the U.S. Treasury

During the year, the Town's general fund bank balance was held in qualified depositories. At September 30, 2005, the carrying amount of the Town's bank deposits was \$2,368,855 while the bank balances of such deposits were \$2,462,134. In addition to insurance provided by the Federal Deposit Insurance Corporation ("FDIC"), all cash in the bank is held in banking institutions approved by the State of Florida, State Treasurer to hold public funds.

Under the Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral equal to a determined percentage of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held.

The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Since the Town uses only authorized public depositories, all funds deposited with financial institutions are FDIC insured and/or are fully collateralized and treated as insured.

The funds are considered cash and **are not categorized as to level of risk** since they are deemed to be fully collateralized under the Florida Security for Public Deposit Act and covered under the FDIC insurance.

3. LAND HELD FOR INVESTMENT

During the year the Town has entered into an agreement with School Board of Broward County for the sale of a tract of land owned by the Town with a book value of approximately \$1,194,466. As part of the agreement, the Town is required to clear and prepare the land for construction.

4. INVENTORY

Inventory consists of trees acquired as a result of the Town's acquisition of a tract of land.

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2005 was as follows:

<u>Governmental activities:</u>	Balance October 1, 2004, as <u>restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2005</u>
Capital assets, not being depreciated:				
Land	\$ 24,069,819	\$ 9,016,721	-	\$ 33,086,540
Construction in progress	<u>14,870</u>	<u>1,165,366</u>	-	<u>1,180,236</u>
Total capital assets, not being depreciated	<u>24,084,689</u>	<u>10,182,087</u>	-	<u>34,266,776</u>
Capital assets, being depreciated/amortized:				
Furniture and equipment	92,731	43,470	-	136,201
Leasehold improvements	100,408	19,269	-	119,677
Buildings	229,760	-	-	229,760
Improvements other than building	2,813,608	-	-	2,813,608
Infrastructure	18,078,496	87,974	-	18,166,470
Intangibles	<u>15,000</u>	<u>28,656</u>	-	<u>43,656</u>
Total capital assets, being depreciated/amortized	<u>21,330,003</u>	<u>179,369</u>	-	<u>21,509,372</u>
Less accumulated depreciation/amortization for:				
Furniture and equipment	(34,392)	(17,953)	-	(52,345)
Leasehold improvements	(46,749)	(22,009)	-	(68,758)
Buildings	(2,298)	(4,595)	-	(6,893)
Improvements other than building	(90,757)	(151,997)	-	(242,754)
Infrastructure	(6,215,354)	(467,484)	-	(6,682,838)
Intangibles	<u>(750)</u>	<u>(2,216)</u>	-	<u>(2,966)</u>
Total accumulated depreciation/amortization	<u>(6,390,300)</u>	<u>(666,254)</u>	-	<u>(7,056,554)</u>
Total capital assets, being depreciated, Net	<u>\$ 39,024,392</u>	<u>\$ 9,695,202</u>	<u>\$ -</u>	<u>\$ 48,719,594</u>

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

General government	\$ 509,662
Parks and recreation	<u>156,592</u>
	<u>\$ 666,254</u>

6. NET ASSETS

Beginning net assets were restated due to the initial recording of the Town's infrastructure and rights of ways as follows:

Net assets at September 30, 2004	\$ 16,671,562
Retroactive recording of infrastructure and rights of ways	<u>20,166,659</u>
Beginning net assets, as restated	<u>\$ 36,838,221</u>

7. RECEIVABLES AND PAYABLES

Receivables at September 30, 2005, were as follows:

	<u>Grants</u>	<u>Taxes</u>	<u>Other</u>	<u>Total</u>
Governmental Activities				
General	\$ -	\$ 163,089	\$ 975,452	\$ 1,138,541
Capital Improvement Fund	3,367,092	-	-	3,367,092
Non-major Governmental	-	10,863	-	10,863
Total government activities	<u>\$ 3,367,092</u>	<u>\$ 173,952</u>	<u>\$ 975,452</u>	<u>\$ 4,516,496</u>

Payables at September 30, 2005, were as follows:

	<u>Vendors</u>
Governmental Activities:	
General Fund	\$ 1,634,746
Capital Improvement Fund	179,800
Non-major Governmental	5,492
Total government activities	<u>\$ 1,820,038</u>

8. INTERFUND BALANCES

Interfund balances at September 30, 2005 consisted of the following:

<u>Due From</u>	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 75,035	\$ 75,035
Capital Improvement Fund	1,341,737	-	1,341,737
Total	<u>\$ 1,341,737</u>	<u>\$ 75,035</u>	<u>\$ 1,416,772</u>

The balances of \$75,035 due from the General Fund resulted from loans from the Transportation Reserve Fund. The balance of \$1,341,737 due from the Capital Improvement Fund resulted from expenditures paid by the General fund on behalf of the Capital Improvement Fund. These interfund balances resulted from the time lag between payment of expenditures and when revenues or reimbursements are received.

9. INTERFUND TRANSFERS

Interfund transfers during fiscal year 2005 consisted of the following:

<u>Transfers Out</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
General Fund	\$ 242,510	\$ 578,963	\$ 40,000	\$ 861,473
Capital Improvement Fund	-	<u>6,026,000</u>	-	<u>6,026,000</u>
Total	<u>\$ 242,510</u>	<u>\$ 6,026,000</u>	<u>\$ 40,000</u>	<u>\$ 6,887,473</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching for various grant programs.

In the year ended September 30, 2005, the government made the following transfers:

Transfer of \$242,510 from the general fund to the capital improvement fund to finance capital project related expenditures.

Transfer of \$578,963 from the general fund to the debt service fund to finance the principal and interest due on Florida Municipal Loan Council loan.

Transfer of \$40,000 from the general fund to the transportation fund (nonmajor governmental fund) to finance various expenditures of that fund.

Transfer of \$6,026,000 from the capital improvement fund to the debt service fund to finance the principal and interest due on the notes payable.

10. RESERVED FUND BALANCES

The balances in reserved fund balance accounts are reserved as follows:

Designated for contingencies or \$1,886,300 is reserved by Town Council for unforeseen and unbudgeted expenditures. Reserved for capital projects of \$10,000 represent escrow deposits for purchase of land and \$1,603,045 in the Capital Improvement Fund is to be used for capital projects, such as acquisition and improvement of land for parks and open space.

11. LONG-TERM DEBT

Florida Municipal Loan Council

On November 15, 2001, the Town entered into a loan agreement with the Florida Municipal Loan Council funded from proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2002 (the Bonds) for a total of \$5,099,752 (\$4,985,000 par amount of the Bonds plus a \$114,752 re-offering premium). The loan requires semi-annual payments of interest at varying rates on May and November of each fiscal year commencing on May 1, 2002, and principal payment of varying amounts on November of each fiscal year commencing on November 1, 2002 through May 1, 2025. The interest rate at September 30, 2005 was 4.50%. Proceeds of the loan were used for the payoff of outstanding obligations, acquisition of certain parks and recreational land and construction of improvements and recreational facilities. As security for loan repayment, the Town covenants and agrees to appropriate in its annual budget amounts of Non-Ad valorem revenues sufficient to satisfy its annual debt service requirements under the loan agreement. During 2005 the Town was in compliance with this covenant.

The annual requirements to pay principal and interest on this obligation as of September 30, 2005 are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	85,000	234,000	319,000
2007	90,000	230,000	320,000
2008	95,000	226,000	321,000
2009	100,000	221,000	321,000
2010	105,000	216,000	321,000
2011-2015	605,000	995,000	1,600,000
2016-2020	780,000	815,000	1,595,000
2021-2025	1,000,000	597,000	1,597,000
2026-2030	1,270,000	315,000	1,585,000
2031	<u>600,000</u>	<u>31,000</u>	<u>631,000</u>
	<u>\$ 4,730,000</u>	<u>\$ 3,880,000</u>	<u>\$ 8,610,000</u>

Notes Payable

On January 6, 2004, the Town entered into pooled commercial paper loan agreements with total available funds of \$13,000,000 to finance the acquisition of property for the Town's capital program. The loans are collateralized by the Town's non-ad valorem revenues. Interest of approximately 1.00% is payable monthly on outstanding balance. Other loan costs include various administrative fees and draw costs of \$2,000 for each \$1,000,000 of draw down. During the year there was a draw down of \$8,460,000, a repayment of \$6,026,000 of which \$3,424,000 was short term financing. The outstanding balance under this agreement for the year ended September 30, 2005 is \$5,036,000. The principal of each draw shall be repaid in accordance with the repayment schedule. The outstanding balance is due on December 1, 2009.

On November 12, 2004, the Town entered into a loan agreement with a local bank for \$600,000 to finance the purchase of trees located on a land acquired for the Town's capital program. As security for loan repayment, the Town covenants and agrees to appropriate in its annual budget amounts of Non-Ad valorem revenues sufficient to pay the principal and interest on this Note coming due in such fiscal year, until the Note has been paid in full. The Note is payable within two years from the execution of the loan agreement and bears an initial interest rate of 5.00%. Interest is to be automatically adjusted to the "Prime Rate" plus 0.25%.

11. LONG-TERM DEBT (CONTINUED)

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

	Balance October 1, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2004</u>	Due Within <u>One Year</u>
Notes payable	\$ 7,417,000	\$ 9,060,000	\$ (6,111,000)	\$ 10,366,000	\$ 85,000
Add reoffering premium	100,616	-	(4,989)	95,627	-
Less underwriters discount	(27,651)	-	1,371	(26,280)	-
	<u>\$ 7,489,965</u>	<u>\$ 9,060,000</u>	<u>\$ (6,114,618)</u>	<u>\$ 10,435,347</u>	<u>\$ 85,000</u>

12. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage and destruction of assets, errors and omissions and natural disasters for which the Town carries commercial insurance. There were no reductions in insurance coverage from coverages in the prior year. Settled claims did not exceed coverages for each of the past three years.

13. COMMITMENTS AND CONTINGENCIES

Agreement with Broward County for Local Police Patrol Services

Effective October 1, 2000, the Town entered into a year-to-year agreement with the Broward County Sheriff's Office (BSO) for local police patrol services. The Town incurred expenditures of \$1,239,322 for police services under this contract for the fiscal year ended September 30, 2005.

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

Effective October 1, 2000, the Town entered into an interlocal agreement with the Town of Davie (Davie) for the delivery of emergency medical and fire protection services to the eastern portion of the Town. The initial term of the agreement was from October 1, 2000 to September 30, 2001, with four additional one-year periods, which renew automatically unless terminated by either party, for a total of five years. Fees will increase by a maximum of two percent (2%) per year not to exceed seven and one-half percent (7.5%) over the five-year term of the contract. The Town paid \$376,250 under this contract for the fiscal year ended September 30, 2005.

Interlocal Agreement with Broward County for Delivery of Emergency Medical and Fire Protection Services

Effective October 1, 2000, the Town entered into an interlocal agreement with the Broward County (the County) for the delivery of emergency medical and fire protection services to the western portion of the Town. The initial term of the agreement was from October 1, 2000 to September 30, 2001, with four additional one-year periods, which renew automatically unless terminated by either party, for a total of five years. Fees increase by an amount not to exceed \$25,000 per year. The Town paid \$600,000 under this contract for the fiscal year ended September 30, 2005.

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

Agreement with Southwest Ranches Volunteer Fire-Rescue, Inc. for Fire Rescue Services

Effective July 1, 2001, the Town entered into an agreement with Southwest Ranches Volunteer Fire-Rescue, Inc. (Volunteer Fire Department) for fire rescue services. The initial term of the agreement is from July 1, 2001 through September 30, 2005 and will automatically continue renewing for one-year periods unless terminated by either party. The Town paid \$47,053 under this contract for the fiscal year ended September 30, 2005.

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

On January 30, 2002, the Town entered into two agreements with Broward County under the Broward County Challenge Grant Program for the construction of several projects related to the Town's Equestrian Park. The County has agreed to reimburse the Town approximately \$676,548 for costs incurred in the construction of the Equestrian Park with the Town required to provide matching funds of \$125,000.

The Town has reimbursement requests outstanding as of September 30, 2005 of approximately \$138,841 under these agreements.

Grant agreement Between State of Florida Department of Environmental Protection and the Town of Southwest Ranches

On August 16, 2004, the Town entered into an agreement with the Department of Environmental Protection under the Florida Recreation Development Assistance Program for the construction of Phase III project related to the Town's Equestrian Park. The Department has agreed to reimburse the Town approximately \$200,000 for costs incurred in the construction of the Equestrian Park with the Town required to provide matching funds of \$200,000. As of September 30, 2005, there had been no work completed and outstanding reimbursement requests.

Agreement for Code Compliance Services

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

Grant Consulting Agreements

On May 13, 2004, the Town entered into an agreement with a consultant for grant writing and other grant related consulting services. The term of this agreement is for a period of four years, and the agreement may be extended or renewed by mutual agreement of both parties. Total compensation under this agreement is \$156,000 per year plus reimbursable out of pocket costs. However, when the cumulative value of the various grant awards (grants received as per amended agreement) equals a minimum increment of \$1,000,000, the consultant will be compensated an additional \$15,000 for grant administration.

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

Town Hall Lease Agreement

On June 28, 2004, the Town entered into a two year lease agreement with South Broward Drainage District. Under the agreement, the Town continues to lease property on which the temporary Town Hall is located for \$30,000 per year. Payment for the second year was due on June 28, 2005; therefore, as of September 30, 2005, \$22,500 was recorded as prepaid expenditures.

Town Administration Agreement

On December 13, 2000, the Town entered into an agreement with the Town Administrator for the administration of the Town. The agreement is effective as of January 8, 2001, and has an initial term of five years. After the initial term, the agreement may be extended by mutual agreement. The agreement includes the positions of the Town Administrator and the Town Clerk. During the year, the Town exercised its option and amended the agreement. The amendment extended the term of the agreement for an additional three years. The fee for administrative services are as follows:

September 30,

2006	688,080
2007	722,484
2008	758,604
Total	<u>\$ 2,169,168</u>

Maintenance Agreement

On September 1, 2004, the Town entered into a five year agreement for the management and maintenance of the Rolling Oaks Passive Open Space Park and the Sunshine Ranches Equestrian Park. Compensation for the maintenance service under this agreement is \$53,483 per year.

Lease Agreement

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

Litigation

The Town is a defendant in various suits and claims incidental to its operations. Although the outcome of the lawsuit is not presently determinable, it is the opinion of the Town attorney that resolution of the matter will not have a material adverse effect on the financial condition of the Town.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Town. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Management Plan Commitment

During the year ended September 30, 2004, the Town entered into three (3) grant agreements with the Florida Communities Trust ("FCT") with the purpose to acquire land to develop natural resources conservation areas, parks, greenways and outdoor recreation facilities under comprehensive plans. As a result, the Town provided the FCT with a budget to spend under the comprehensive ECO – Restoration Program approximately \$4,072,000 for the Southwest Meadows Sanctuary, \$2,954,000 for the Country Estate Fishing Hold Park and \$2,916,000 for the Frontier Trails Conservation Area.

Art and Design Agreement

On July 28, 2005, the Town entered into an agreement with an artist to design, fabricate, transport and install three integrated works of visual fine art for the entranceways of the Sunshine Ranches Equestrian Park. Compensation for this service under this agreement is \$70,000 in total.

Capital Project Management Agreement

On April 14, 2005, the Town entered into an agreement in the amount of \$2,731,352 for the management of the Town's capital projects. The agreement is for a four (4) year period and provides program management for an estimated capital program totaling \$24,099,200.

Other Grant Commitments

The Town has several other grant agreements for various projects with various state agencies totaling approximately \$2,835,625. Under these agreements, the Town is required to provide matching funds of approximately \$462,625. The Town had provided matching funds of approximately \$5,962 under this contract for fiscal year ended September 30, 2005.

14. SUBSEQUENT EVENTS

Florida Local Government Finance Commission Pooled Commercial Paper Loan Program

Subsequent to year end, on November 21, 2005, the Town Council approved a resolution authorizing the borrowing of funds not to exceed \$10,000,000 in order to finance the collection, disposal, and general cleanup costs resulting from Hurricane Wilma. As a result the Town executed three separate agreements on various dates with Florida Local Government Finance Commission for \$7,000,000, \$2,000,000 and \$1,000,000 respectively.

Reimbursement of Hurricane Cleanup Expenditures

Subsequent to year end the Federal Emergency Management Agency (FEMA) approved the reimbursement of approximately \$7.6 million of the \$10 million hurricane cleanup expenditures incurred as a result of Hurricane Wilma. Also, subsequent to year end, the Town received \$951,824 from FEMA for emergency hurricane cleanup expenditures incurred as a result of Hurricane Katrina.

Sale of Land Held for Sale

Subsequent to year end the Town sold the land held for investment with a carrying amount of \$1,194,466 for approximately \$4,339,000. In addition, the Town will be reimbursed for \$74,000 spent to clear and prepare the land for construction. As a result of the sale, the Town incurred brokerage fees for this transaction of approximately \$260,000.

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 2,485,960	\$ 2,485,960	\$ 2,503,780	\$ 17,820
Special assessments	1,028,000	1,028,000	1,098,521	70,521
Utility taxes	495,000	495,000	496,246	1,246
Service taxes	150,000	210,000	230,138	20,138
Franchise fees	345,000	355,000	436,937	81,937
Licenses and permits	305,000	305,000	296,036	(8,964)
Intergovernmental	500,000	540,000	585,926	45,926
Fines and forfeitures	40,000	40,000	28,527	(11,473)
Grants	-	-	1,044,829	1,044,829
Interest	20,000	121,525	154,437	32,912
Other	95,000	709,200	284,166	(425,034)
Total revenues	<u>5,463,960</u>	<u>6,289,685</u>	<u>7,159,543</u>	<u>869,858</u>
Expenditures:				
Current:				
General government:				
Town Council	84,200	123,600	116,815	6,785
Town administration	570,320	797,175	694,974	102,201
Town attorney	200,000	280,000	271,150	8,850
Total general government	<u>854,520</u>	<u>1,200,775</u>	<u>1,082,939</u>	<u>117,836</u>
Public Safety:				
Police	1,185,460	1,185,860	1,239,322	(53,462)
Fire	1,067,470	1,085,695	1,032,068	53,627
Total public safety	<u>2,252,930</u>	<u>2,271,555</u>	<u>2,271,390</u>	<u>165</u>
Community development	576,000	1,061,350	1,018,218	43,132
Parks and recreation	110,000	78,000	83,528	(5,528)
Public works	615,000	1,916,035	1,731,038	184,997
Capital outlay	10,000	56,300	52,003	4,297
Non-departmental	2,580,000	2,044,160	44,400	1,999,760
Total expenditures	<u>6,998,450</u>	<u>8,628,175</u>	<u>6,283,516</u>	<u>2,344,659</u>
Excess (deficiency) of revenues over expenditures	<u>(1,534,490)</u>	<u>(2,338,490)</u>	<u>876,027</u>	<u>3,214,517</u>
Other financing sources (uses):				
Loan proceeds	-	-	600,000	600,000
Transfers out	(765,510)	(877,510)	(861,473)	16,037
Prior year's fund balance	2,300,000	3,216,000	-	(3,216,000)
Total other financing sourcer (uses)	<u>1,534,490</u>	<u>2,338,490</u>	<u>(261,473)</u>	<u>(2,599,963)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>614,554</u>	<u>614,554</u>
Fund balances, beginning of year	<u>4,331,961</u>	<u>4,331,961</u>	<u>4,331,961</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,331,961</u>	<u>\$ 4,331,961</u>	<u>\$ 4,946,515</u>	<u>\$ 614,554</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BUDGETARY SCHEDULE
SEPTEMBER 30, 2005

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

a. Budgets and Budgetary Accounting

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

- a. Prior to September 1, the Town Administrator submits to the Town Council a proposed operating budget for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- d. Upon request of the Town Administrator, the Town Council may transfer, at any time, any part of an unencumbered balance of an appropriation within a department. Upon request of the Town Administrator, the Town Council, in the form of a resolution, may transfer any part of the unencumbered balance of an appropriation between departments. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations.
- e. Annual appropriated budgets are adopted for the General Fund, the Special Revenue Fund, Capital Project Fund and Debt Service Fund on a basis consistent with accounting principles generally accepted in the United States of America.
- f. The reported budgetary data represents the final approved budget after amendments adopted by the Town Council. Individual type amendments for the General Fund were not material in relation to the original appropriations. Unencumbered appropriations lapse at fiscal year end.

The Town Council may, by ordinance, make supplemental appropriations during the fiscal year. Supplemental appropriations for the General Fund totaled approximately \$1,629,725 during fiscal year ended September 30, 2005.

b. Excess of Expenditures over Appropriations

Expenditures exceeded the budget in the General Fund for the fiscal year ended September 30, 2005 at the following department level, which is the legally controlled level of appropriations:

	<u>Final Budget</u>	<u>Actual</u>	<u>Amount in Excess of Final Budget</u>
Public Safety:			
Police	\$ 1,185,860	\$ 1,239,322	\$ 53,462
Parks and Recreation	78,000	83,528	5,528

STATISTICAL SECTION

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

Fiscal Year	Charges for Services	Operating Grants and Contributions				Property Taxes	Franchise Fees	Utility Taxes	Unrestricted Investment Earnings	Inter-governmental	Total
		Operating Grants and Contributions	Capital Grants and Contributions								
1996	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-	-	-
2002	795,479	-	2,977,772	1,801,116	351,056	620,734	104,542	768,905	7,419,604		
2003	1,462,312	-	3,125,694	1,956,415	391,293	657,677	143,596	665,240	8,402,227		
2004	1,587,815	-	7,967,899	2,122,694	408,735	479,391	351,386	956,848	13,874,768		
2005	1,653,222	1,044,829	8,888,098	2,503,780	436,937	496,246	455,003	783,565	16,261,680		

(1) Information for fiscal years ended September 30, 1996 to 2001 are unavailable.

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

Fiscal Year	General Government	Public Safety	Public Works	Community Development	Non-Departmental	Parks and Recreation	Interest on		Total
							Long Term Debt	Debt	
1996	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-
2002	877,242	1,947,075	135,620	687,405	28,131	2,959	258,654	3,937,086	
2003	749,888	2,024,690	656,611	767,903	54,929	-	329,346	4,583,367	
2004	835,810	2,111,633	938,493	906,494	256,760	132,391	394,403	5,575,984	
2005	1,783,732	2,271,390	1,992,753	1,018,218	262,431	240,120	431,092	7,999,736	

(1) Information for fiscal years ended September 30, 1996 to 2001 are unavailable.

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

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Development</u>	<u>Other (*)</u>	<u>Total</u>
1996						
1997						
1998						
1999						
2000						
2001	592,945	1,821,106	-	235,900	4,105,580	6,755,531
2002	730,200	1,953,500	75,000	531,000	6,577,215	9,866,915
2003	712,464	2,024,690	614,965	767,903	1,862,602	5,982,624
2004	788,257	2,111,633	938,493	906,494	17,180,080	21,924,957
2005	1,274,071	2,271,390	1,992,753	1,018,218	17,255,197	23,811,629

(1) Information for fiscal years ended September 30, 1996 to 2000 are unavailable.

(*) Parks and recreation, non-departmental, debt service and capital outlay.

Note: General government includes General fund, Special Revenue Fund, Capital Improvement fund, and Debt Service fund.

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

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Franchise Fees and Utility Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Special Assessments</u>	<u>Fines and Forfeitures</u>	<u>Operating Grants</u>	<u>Other</u>	<u>Totals</u>
1996									
1997									
1998									
1999									
2000									
2001	2,147,639	753,906	130,123	596,408	-	10,693	-	40,662	3,679,431
2002	1,828,082	975,950	426,100	619,000	477,043	10,000	-	50,000	4,386,175
2003	1,956,415	1,048,970	234,345	488,901	1,190,746	37,221	-	146,933	5,103,531
2004	2,122,694	1,022,016	354,718	956,848	1,065,050	34,157	-	351,386	5,906,869
2005	2,503,780	1,163,321	296,036	585,926	1,098,521	28,527	1,044,829	438,603	7,159,543

(1) Information for fiscal years ended September 30, 1996 to 2000 are unavailable.
Note: General fund only

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

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total Tax Levy *</u>	<u>Amount of Current Taxes Collected *</u>	<u>Percent of Current Taxes Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Total Collected for Year</u>	<u>Ratio of Total Taxes Collected Total Current Levy</u>
1996	1995						
1997	1996						
1998	1997						
1999	1998						
2000	1999						
2001	2000	2,010,880	2,125,513	105.70%	22,125	2,147,638	106.80%
2002	2001	1,828,082	1,775,836	97.14%	25,280	1,801,116	98.52%
2003	2002	1,889,800	1,928,296	102.04%	28,119	1,956,415	103.52%
2004	2003	2,144,448	2,090,959	97.51%	31,735	2,122,694	98.99%
2005	2004	2,485,960	2,513,409	101.10%	(9,790)	2,503,780	100.71%

(1) Information for fiscal years ended September 30, 1996 to 2000 are unavailable.

* Gross taxes before discounts exclusive of voted debt levies.

Source: Broward County Revenue Collector

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

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total Assessed Value</u>	<u>Homestead Exemption</u>	<u>Other Exemption</u>	<u>Assessed Value For Operations</u>
1996	1995				
1997	1996				
1998	1997				
1999	1998				
2000	1999				
2001	2000	617,284,784	47,758,642	53,033,812	516,492,330
2002	2001	723,562,069	48,159,326	53,394,484	622,008,259
2003	2002	765,821,214	48,660,694	54,070,744	663,089,776
2004	2003	857,127,003	50,438,180	54,243,390	752,445,433
2005	2004	986,864,335	50,425,000	64,073,510	872,365,825

(1) Information for fiscal years ended September 30, 1996 to 2000 are unavailable.
 Note: Local law requires that assessed values be established at 100% of estimated actual value.

Source: Broward County Property Appraiser

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

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total Town Operations</u>	<u>Broward County Operations</u>	<u>Broward County Schools</u>	<u>South Florida Water Management District</u>	<u>Hospital District</u>	<u>Florida Inland Navigation District</u>	<u>Total Town Wide</u>
1996	1995							
1997	1996							
1998	1997							
1999	1998							
2000	1999							
2001	2000	3.8933	7.5250	8.9553	0.6970	2.4803	0.0410	23.5919
2002	2001	3.0000	7.4005	8.7541	0.6970	2.4803	0.0385	22.3704
2003	2002	3.0000	7.3650	8.8825	0.6970	2.4803	0.0385	22.4633
2004	2003	3.0000	7.1880	8.4176	0.6970	2.4803	0.0385	21.8214
2005	2004	3.0000	6.7800	8.0623	0.6970	2.4803	0.0385	21.0581

(1) Information for fiscal years ended September 30, 1996 to 2000 are unavailable. State law requires all counties to assess values at 100% of estimated values and limits millage for operating purposes to ten mills.

Source: Broward County Property Appraiser.

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

<u>Fiscal Year</u>	Total Amount Of Special Assessments Receivable Beginning of Year	Amount of Special Assessments Becoming Due During Fiscal Year	Special Assessment Collected	Total Amount of Special Assessments Receivable End of Year
1996				
1997				
1998				
1999				
2000				
2001	-	-	-	-
2002	-	481,378	481,378	-
2003	-	1,020,000	1,190,746	(170,746)
2004	-	1,038,000	1,065,050	(27,050)
2005	-	1,028,000	1,098,521	(70,521)

(1) Information for fiscal years ended September 30, 1996 to 2000 are unavailable.
Note: General fund only

**TOWN OF SOUTHWEST RANCHES, FLORIDA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2005**

Assessed valuation 2004 roll		<u>\$ 872,365,825</u>
Bonded debt limit - 15% of assessed value		\$ 130,854,874
Total bonded debt- FMLC	\$ 10,366,000	
Amount of debt applicable		<u>\$ 10,366,000</u>
Legal debt margin		<u>\$ 120,488,874</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2005

	<u>Net Debt</u>	<u>Percent Applicable *</u>	<u>Overlapping Net Debt</u>
Town of Southwest Ranches	\$10,366,000	100%	\$ 10,366,000
Broward County School Districts	125,882,169	1.295%	1,630,175
Broward County	492,140,000	1.295%	<u>6,373,213</u>
Total Direct and Overlapping Debt			<u>\$ 18,369,388</u>

* Percentage based on assessed valuations.

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1996						
1997						
1998						
1999						
2000						
2001	7,058	516,492,331	-	-	-	-
2002	7,106	622,006,259	4,895,000	4,895,000	0.79%	689
2003	7,196	663,089,776	6,895,000	6,895,000	1.04%	958
2004	7,205	752,438,833	7,415,000	7,415,000	0.99%	1,029
2005	7,265	872,365,825	10,366,000	10,366,000	1.19%	1,427

(1) Information for fiscal years ended September 30, 1996 to 2000 are unavailable.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1996					
1997					
1998					
1999					
2000					
2001	19,868	24,838	44,706	6,789,808	0.66%
2002	3,780,132	148,279	3,928,411	10,604,825	37.04%
2003	90,000	340,335	430,335	5,982,624	7.19%
2004	80,000	394,090	474,090	21,924,957	2.16%
2005	85,000	433,946	518,946	23,811,629	2.18%

(1) Information for fiscal years ended September 30, 1996 to 2000 are unavailable.

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

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation</u>
Florida Power & Light	Public Utility	\$28,599,855	3.28%
Lowe's Home Center, Inc.	Building Materials	\$15,579,200	1.79%
US Retail Income Fund	Coquino Plaza	\$13,177,420	1.51%
SCI Funeral Services	Funeral	\$8,544,320	0.98%
Landmark Custom Ranches	Developer	\$7,332,730	0.84%
Republica Musicana Inc.	Developer	\$4,287,250	0.49%
Nathan & Jacqueline Finkel	Residential	\$3,274,250	0.38%
Thomas & Denise Foley	Residential	\$3,267,080	0.37%
Stone Creek at Sunshine	Developer	\$3,189,290	0.37%
Edward & Mary Lieberman	Residential	\$3,183,910	0.36%
		<u>\$ 90,435,305</u>	<u>10.37%</u>

Source: Broward County Revenue Collections

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

<u>Fiscal Year</u>	<u>Property Value</u>	<u>Construction</u>	<u>Commercial Bank Deposits *</u>
1996	-	-	-
1997	-	-	-
1998	-	-	-
1999	-	-	-
2000	-	-	-
2001	516,492,331	-	15,964,349,000
2002	608,208,179	13,800,080	16,580,749,000
2003	659,679,326	3,410,540	17,983,613,000
2004	744,000,843	8,437,990	19,876,896,000
2005	854,720,825	17,546,000	22,406,191,000

(1) Information for fiscal years ended September 30, 1996 to 2000 are unavailable.

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
DEMOGRAPHIC AND MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2005

Date of Incorporation
 June 6, 2000

Date of Adoption of Town Charter
 November 9, 2003 (Amended)

Form of City Government
 Council/Administrator

Public Education
 Number of Schools 0
 Number of Teachers 0
 Number of Students 2,050
 Total of all faculty 0

Area
 Squares miles 13

Median Household Income \$ 91,282

Median Age 37.8 Years

Characteristics
 Rural residential, Agricultural, Lot size ranging from a minimum of 1 acre to over 5 acre homesteads

Recreation
 Public park facilities 153 acres
 Planned passive parks and trails

Employees as of September 30, 2005
 All contracted services- no employees

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

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