

**BASIC FINANCIAL STATEMENTS
AND OTHER SCHEDULES**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2006**

**Town Of
Southwest Ranches, Florida**



BASIC FINANCIAL STATEMENTS AND OTHER SCHEDULES

Town of Southwest Ranches, Florida

Fiscal Year Ended
September 30, 2006



Prepared by
Town Administration

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”

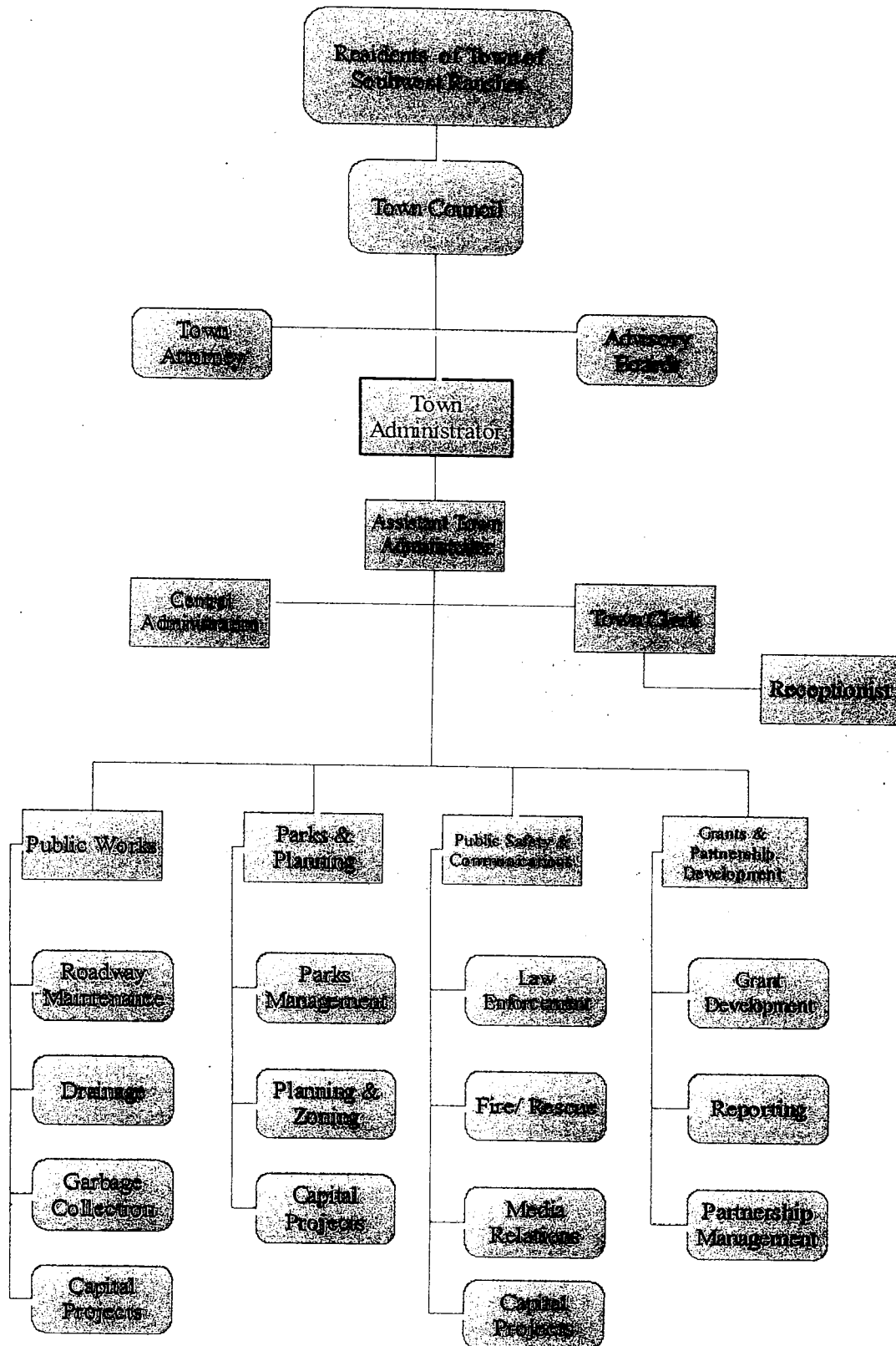
**TOWN OF SOUTHWEST RANCHES, FLORIDA
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 September 30, 2006**

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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

FINANCIAL SECTION



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A.
PAUL B. SNEIDER, C.P.A. (RETIRED)
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.

JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
BRIAN D. PINNELL, C.P.A. (RETIRED)
KENNETH G. SMITH, C.P.A.
LOUIS R. PROIETTO, C.P.A.
CYNTHIA L. CALVERT, C.P.A.

CHARLES K. RUMPF, C.P.A.
ISRAEL J. GOMEZ, C.P.A.
JAMES R. LARAWAY, C.P.A.

ROSS S. GOTTHOFFER, C.P.A.
HILLARY B. DAIGLE, C.P.A.

6550 NORTH FEDERAL HIGHWAY
SUITE 410
FORT LAUDERDALE, FLORIDA 33308
(954) 771-0896
FAX: (954) 938-9353
E-MAIL: kmc@kmc CPA.com

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Vice Mayor, Town Council Members and Town Administrator
Town of Southwest Ranches, Florida
Southwest Ranches, Florida

We have audited the accompanying financial statements of governmental activities, each major fund and the aggregate remaining fund information of Town of Southwest Ranches, Florida (the Town), as of and for the year ended September 30, 2006, 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 an opinion on these financial statements based on our audit.

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

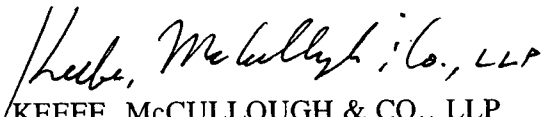
In our opinion, the basic financial statements referred to above, present fairly, in all material respects, the respective financial positions of the governmental activities, each major fund and the aggregate remaining fund information of Town of Southwest Ranches, Florida at September 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2007, on our consideration of Town of Southwest Ranches' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing on 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.

Town of Southwest Ranches, Florida

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Southwest Ranches, Florida's basic financial statements. The introductory section, required supplementary information, other financial information, schedule of expenditures of Federal awards and state financial assistance, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required supplementary information, other financial information and the schedule of expenditures of Federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
February 6, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

(NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

TOWN OF SOUTHWEST RANCHES, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2006

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 the fiscal years ended September 30, 2006 and 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 following are highlights of financial activity for the fiscal year ending September 30, 2006:

- The assets of the Town of Southwest Ranches exceeded its liabilities at the close of the fiscal year by \$ 47,109,900 (net assets). Of this amount, \$ 40,644,914 is invested in capital assets and \$ 6,464,986 is unrestricted.
- The Town's total net assets increased by \$ 2,009,735 during the 2006 fiscal year. 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 expenditures and transfers that were \$ 2,522,644 more than the \$ 17,717,808 generated in tax, other revenues and other financing sources for governmental programs. This was due to the adverse financial impact of hurricane and related costs.
- The General Fund's fund balance decreased to \$ 2,423,871 as of September 30, 2006.
- The Town's total debt increased \$ 375,382 to a total of \$ 10,810,729. Total debt of \$ 5,500,000 includes a line of credit for Hurricane Wilma of \$ 3,000,000 and \$ 2,500,000 for budgeted capital projects. The Debt Service Fund has \$ 4,000,000 designated at the end of the 2006 fiscal year to repay the Hurricane Wilma line of credit and other debt service payments. The Town has a \$ 600,000 loan that was due November 2006 but was extended to November 2007.

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 such fund was the Special Revenue Transportation Fund. The basic financial statements include two kinds of statements that present different views of the Town:

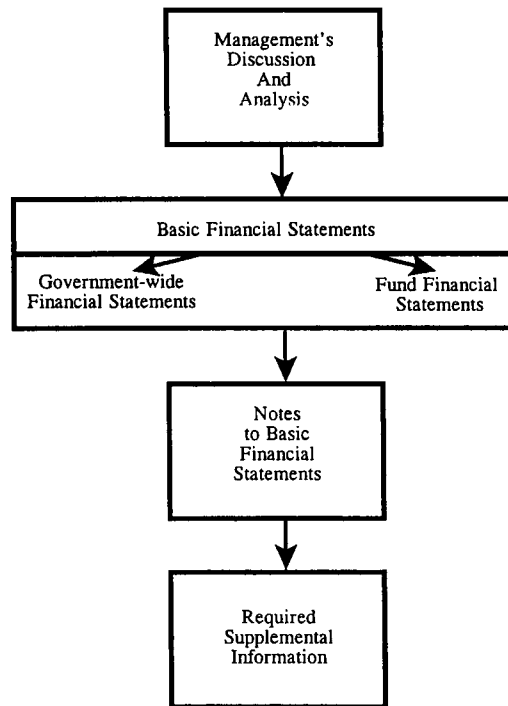
- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Town's overall financial status.

TOWN OF SOUTHWEST RANCHES, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2006

- 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 fund* 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 1 shows how the required parts of this annual report are arranged and are related to one another.

Figure 1
Required Components of the
Basic Financial Statements and Other Schedules



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 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.

TOWN OF SOUTHWEST RANCHES, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2006

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 a future fiscal period (e.g., uncollected taxes and certain accrued liabilities).

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 fire and rescue, police services, public works, parks and recreation, code compliance, planning and zoning, economic development and general administration services. The Town does not have any business-type activities.

The government-wide financial statements can be founded on pages 11 and 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 funds balance sheet and 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 funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Project Fund and the Debt Service Fund, which are considered to be major funds. Data from the other governmental fund represents the Special Revenue Transportation Fund which is considered to be a nonmajor fund. The basic governmental funds financial statements can be found on pages 13 to 17 of this report.

Notes to basic 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 18 to 29 of this report.

TOWN OF SOUTHWEST RANCHES, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2006

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 assets* will reduce current assets and increase capital assets. In addition, there is a second impact, an increase in capital assets and an increase in related net debt which will not change the investment in capital assets, net of related debt.
4. *Spending of nonborrowed current assets on new capital assets* will reduce current assets, increase capital assets, reduce unrestricted net assets, and increase investment in capital assets, net of related debt.
5. *Principal payments on debt* will reduce current assets, reduce long-term debt, reduce unrestricted net assets, and increase investment in capital assets, net of related debt.
6. *Reduction of capital assets through depreciation* will reduce capital assets and investment in capital assets, net of related debt.

The Town's net assets were increased to \$ 47,109,900 between fiscal years 2006 and 2005 (see Table 1). However, a large portion of the net assets (86 percent) is invested in capital assets (land, buildings and equipment, etc.). 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, FLORIDA
NET ASSETS

	Governmental Activities	
	2006	2005
CURRENT AND OTHER ASSETS	\$ 8,009,258	\$ 8,736,524
CAPITAL ASSETS	<u>51,108,935</u>	<u>48,719,594</u>
Total assets	<u>59,118,193</u>	<u>57,456,118</u>
OTHER LIABILITIES	1,197,564	1,920,606
LONG-TERM DEBT OUTSTANDING	<u>10,810,729</u>	<u>10,435,347</u>
Total liabilities	<u>12,008,293</u>	<u>12,355,953</u>
NET ASSETS:		
Invested in capital assets, net of related debt	40,644,914	38,284,247
Unrestricted	<u>6,464,986</u>	<u>6,815,918</u>
Total net assets	<u>\$ 47,109,900</u>	<u>\$ 45,100,165</u>

TOWN OF SOUTHWEST RANCHES, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2006

A portion of the Town's net assets (\$ 40,644,914 or 86 percent) represents resources that are invested in the Town's capital assets. The remaining balance of *unrestricted net assets* (\$ 6,464,986) 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 prior fiscal years.

Consequently, during the 2006 fiscal year, capital assets increased by \$ 2,360,667; however, unrestricted net assets decreased by \$ 350,932.

The Town's total revenues increased by 32.9 percent to \$ 21,607,906 (see Table 2). Over 51% of the Town's revenues come from grants and contributions, 13.7% comes from property taxes, 11.5% from fees charged for services, 9.2% from intergovernmental revenues and other state regulated taxes and 14.6% from other revenue sources.

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 Council 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 nonrecurring) can significantly change and impact 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 spending on contracted services.

For 2006, the Town's expenses cover a range of services, with 12.6% related to public safety and 61.8% related to the clean up effort for Hurricane Wilma.

Governmental Activities

Revenues for the Town's governmental activities increased 33 percent while the expenses increased 145 percent. The increase in net assets for governmental activities was \$ 2,009,735 for fiscal 2006.

TOWN OF SOUTHWEST RANCHES, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2006

Table 2
TOWN OF SOUTHWEST RANCHES, FLORIDA
CHANGES IN NET ASSETS

	Governmental Activities	
	2006	2005
REVENUES:		
Program revenues:		
Grants and contributions	\$ 11,018,055	\$ 9,932,927
Charges for services	2,494,988	1,423,084
GENERAL REVENUES:		
Ad valorem taxes	2,969,270	2,503,780
Other taxes	1,329,424	1,163,321
Intergovernmental	652,622	783,565
Investment income	227,190	154,437
Miscellaneous	9,693	300,566
Total revenues	18,701,242	16,261,680
EXPENSES:		
General government	1,407,916	1,783,732
Public safety	2,466,655	2,271,390
Community development	1,200,384	1,018,218
Parks and recreation	484,684	240,120
Public works	1,269,187	1,992,753
Roadways and hurricane expenses	12,107,067	--
Nondepartmental	29,897	262,431
Interest expense	632,381	431,092
Total expenses	19,598,171	7,999,736
Excess (deficiency) before special item	(896,929)	8,261,944
SPECIAL ITEM	2,906,664	--
Change in net assets	\$ 2,009,735	\$ 8,261,944

The Town's management was able to successfully cope with the operational and financial impact of Hurricane Wilma. Many initial goals had to be delayed or postponed due to the extensive efforts associated with the clean up after the hurricane. The total expenses for all programs, hurricane and other services increased by \$ 11,598,435 or 145 % from the prior year (see Table 2).

In fiscal year 2006, 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 Project Fund. Parks and recreation increased due to the operations of the first Town park and public works efforts that were redirected to hurricane related issues.

**TOWN OF SOUTHWEST RANCHES, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2006**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported combined fund balances of \$ 6,871,526, a decrease of \$ 950 from last year's combined fund balance of \$ 6,872,476.

General Fund Budgetary Highlights

The change in fund balance between 2005 and 2006 is the result of the following major events:

General Fund - The Town had major expenses as a result of Hurricane Wilma in October 2005. The Town had cleanup expenses of over \$ 12,000,000 and the Town drew down \$ 10,000,000 on a line-of-credit with the Florida Local Government Finance Commission to cover these costs. The Town also transferred \$ 1,853,858 to the other funds to provide sufficient funds for debt payments due in December 2007 and additional funds to the Transportation Fund. This resulted in a net decrease in fund balance of \$ 2,522,644.

Capital Assets

As of September 30, 2006, the Town's investment in capital assets amounted to \$ 51,108,935 (net of accumulated depreciation). The increase in capital assets during the year was due to capital project costs related to a number of ongoing projects. Capital assets held by the Town at the end of the current year are summarized as follows:

**TOWN OF SOUTHWEST RANCHES, FLORIDA
CAPITAL ASSETS
(net of accumulated depreciation)**

	<u>Governmental Activities</u>
Land	\$ 33,086,540
Infrastructure	11,179,209
Construction in progress	3,515,639
Improvements other than buildings	2,463,102
Buildings	568,272
Furniture and equipment	269,187
Leasehold improvements	<u>26,986</u>
Total capital assets, net	<u>\$ 51,108,935</u>

24. Additional information on the Town's capital assets can be found in Note 4 on pages 23 and 24.

Debt Administration

The Town added line of credit debt during the year of \$ 12,500,000, of which \$ 10,000,000 was for hurricane clean up and \$ 2,500,000 was for planned and budgeted capital projects. During the year, \$ 7,000,000 of the line of credit associated with the hurricane clean up was repaid leaving a balance of \$ 3,000,000 due in December 2007. Also during the year, a \$ 5,036,000 line of credit balance was repaid for the prior year Calusa Park acquisition and \$ 85,000 was repaid on the Town's other long term loan. The Debt Service Fund has a fund balance designation of \$ 4,000,000 at year end to repay the line of credit balance relating to hurricane clean up and other debt service payments. The Town also had a \$ 600,000 loan from a bank that was due in November 2006, and the payment in full was extended until November, 2007.

**TOWN OF SOUTHWEST RANCHES, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2006**

At the end of the year, the Town had total debt outstanding of \$ 10,810,729. The debt is secured by pledged non-ad valorem revenue sources of the Town along with grant proceeds. Changes in the Town's debt are summarized below:

**TOWN OF SOUTHWEST RANCHES, FLORIDA
OUTSTANDING DEBT**

	<u>Balance October 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2006</u>
Notes and loans payable	\$ <u>10,435,347</u>	\$ <u>12,500,000</u>	\$ <u>12,124,618</u>	\$ <u>10,810,729</u>

Additional information on the Town's debt can be found in Note 7 on pages 25 and 26 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Broward County is currently 3.5 percent which is equal to the rate of last year. 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 Town'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 2007 fiscal year.

During the 2006 fiscal year, fund balance in the General Fund decreased to \$ 2,423,871 of which \$ 2,137,036 is available for future needs. The Town will budget the audited fund balance in the 2007 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 2007, the Town maintained for the sixth 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 18% for 2007.

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. 160th Avenue, Southwest Ranches, Florida 33331.

**BASIC
FINANCIAL STATEMENTS**

TOWN OF SOUTHWEST RANCHES, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2006

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 5,635,092
Accounts receivable - net	2,047,700
Tree inventory	276,835
Other assets	10,043
Capital assets:	
Land and construction in progress	36,602,179
Other (net of accumulated depreciation)	14,506,756
Unamortized debt issuance costs	<u>39,588</u>
Total assets	<u>59,118,193</u>
 LIABILITIES:	
Accounts payable	1,067,311
Accrued interest payable	99,420
Contracts payable	24,432
Retainage payable	3,872
Deposits	2,529
Noncurrent liabilities:	
Due within one year	690,000
Due in more than one year	<u>10,120,729</u>
Total liabilities	<u>12,008,293</u>
 NET ASSETS:	
Invested in capital assets, net of related debt	40,644,914
Unrestricted	<u>6,464,986</u>
Total net assets	<u>\$ 47,109,900</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2006

		Program Revenues			Governmental Activities Net Revenues (Expenses) and Change in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
General government	\$ 1,407,916	\$ 239,541	\$ 20,000	\$ --	\$ (1,148,375)
Public safety	2,466,655	1,006,275	--	--	(1,460,380)
Community development	1,200,384	306,516	--	--	(893,868)
Parks and recreation	484,684	291,084	--	496,095	302,495
Public works	1,269,187	651,572	209,289	107,350	(300,976)
Roadways and hurricane related expenses	12,107,067	--	10,185,321	--	(1,921,746)
Nondepartmental	29,897	--	--	--	(29,897)
Interest expense	<u>632,381</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(632,381)</u>
Total primary government	<u>\$ 19,598,171</u>	<u>\$ 2,494,988</u>	<u>\$ 10,414,610</u>	<u>\$ 603,445</u>	(6,085,128)
General revenues:					
Ad-valorem taxes					2,969,270
Intergovernmental					652,622
Franchise fees					555,222
Utility taxes					521,151
Service taxes					253,051
Investment income					227,190
Miscellaneous					<u>9,693</u>
Total general revenues					<u>5,188,199</u>
Special item, gain on sale of land held for investment					<u>2,906,664</u>
Change in net assets					2,009,735
Net assets, beginning of year					<u>45,100,165</u>
Net assets, end of year					<u>\$ 47,109,900</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2006

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds (Special Revenue - Transportation Fund)</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and cash equivalents	\$ 2,544,918	\$ 2,853,932	\$ 102,199	\$ 134,043	\$ 5,635,092
Accounts receivable - net	420,898	1,146,068	465,000	15,734	2,047,700
Tree inventory	276,835	--	--	--	276,835
Other assets	<u>10,043</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>10,043</u>
Total assets	<u>\$ 3,252,694</u>	<u>\$ 4,000,000</u>	<u>\$ 567,199</u>	<u>\$ 149,777</u>	<u>\$ 7,969,670</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 828,823	\$ --	\$ 229,246	\$ 9,242	\$ 1,067,311
Contracts payable	--	--	24,432	--	24,432
Retainage payable	--	--	3,872	--	3,872
Deposits	<u>--</u>	<u>--</u>	<u>2,529</u>	<u>--</u>	<u>2,529</u>
Total liabilities	<u>828,823</u>	<u>--</u>	<u>260,079</u>	<u>9,242</u>	<u>1,098,144</u>
Fund balance:					
Reserved for tree inventory	276,835	--	--	--	276,835
Reserved for capital projects	10,000	--	--	--	10,000
Unreserved:					
Designated for debt service	--	4,000,000	--	--	4,000,000
Designated for contingencies	2,137,036	--	--	--	2,137,036
Designated for fire wells	--	--	242,510	--	242,510
Undesignated	<u>--</u>	<u>--</u>	<u>64,610</u>	<u>140,535</u>	<u>205,145</u>
Total fund balances	<u>2,423,871</u>	<u>4,000,000</u>	<u>307,120</u>	<u>140,535</u>	<u>6,871,526</u>
Total liabilities and fund balances	<u>\$ 3,252,694</u>	<u>\$ 4,000,000</u>	<u>\$ 567,199</u>	<u>\$ 149,777</u>	<u>\$ 7,969,670</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
For the Year Ended September 30, 2006

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS, PAGE 13	\$ 6,871,526
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental capital assets	58,852,363
Less accumulated depreciation	(7,743,428)
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Deferred charge on debt issuance costs (to be amortized over the life of the debt)	50,120
Less accumulated amortization	(10,532)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(99,420)
Governmental notes and loans payable	(10,810,729)
NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 11	\$ <u>47,109,900</u>

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2006

	General Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds (Special Revenue - Transportation Fund)	Total Governmental Funds
REVENUES:					
Ad valorem taxes	\$ 2,969,270	\$ --	\$ --	\$ --	\$ 2,969,270
Special assessments	1,126,695	--	--	--	1,126,695
Utility taxes	521,151	--	--	--	521,151
Service taxes	253,051	--	--	--	253,051
Franchise fees	555,222	--	--	--	555,222
Licenses and permits	306,517	--	--	--	306,517
Intergovernmental	652,622	--	--	209,289	861,911
Fines and forfeitures	37,095	--	--	--	37,095
Grants	185,321	10,000,000	273,445	--	10,458,766
Public safety fee	--	--	500,000	--	500,000
Donated property	350,000	--	--	--	350,000
Sale of trees	291,084	--	--	--	291,084
Investment income	227,190	--	--	--	227,190
Miscellaneous	242,590	--	700	--	243,290
Total revenues	<u>7,717,808</u>	<u>10,000,000</u>	<u>774,145</u>	<u>209,289</u>	<u>18,701,242</u>
EXPENDITURES:					
Current:					
General government:					
Town Council	163,190	--	--	--	163,190
Town administration	845,797	--	1,576,416	--	2,422,213
Town attorney	293,790	--	--	--	293,790
Total general government	<u>1,302,777</u>	<u>--</u>	<u>1,576,416</u>	<u>--</u>	<u>2,879,193</u>
Public safety:					
Police	1,402,816	--	--	--	1,402,816
Fire	1,060,898	--	--	--	1,060,898
Total public safety	<u>2,463,714</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,463,714</u>
Community development	1,200,384	--	--	--	1,200,384
Parks and recreation	669,365	--	--	--	669,365
Public works	602,649	--	--	195,353	798,002
Roadways and hurricane related expenses	12,107,067	--	--	--	12,107,067
Nondepartmental	29,897	--	--	--	29,897
Capital outlay	10,741	--	1,102,961	93,807	1,207,509
Debt service:					
Principal	--	7,085,000	5,036,000	--	12,121,000
Interest and fiscal charges	--	628,858	3,867	--	632,725
Total expenditures	<u>18,386,594</u>	<u>7,713,858</u>	<u>7,719,244</u>	<u>289,160</u>	<u>34,108,856</u>
Excess (deficiency) of revenues over (under) expenditures	(10,668,786)	2,286,142	(6,945,099)	(79,871)	(15,407,614)

TOWN OF SOUTHWEST RANCHES, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

(continued)

For the Year Ended September 30, 2006

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Other Governmental Funds (Special Revenue - Transportation Fund)</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES):					
Issuance of debt	10,000,000	--	2,500,000	--	12,500,000
Transfers in	--	1,713,858	--	140,000	1,853,858
Transfers out	<u>(1,853,858)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,853,858)</u>
Total other financing sources	<u>8,146,142</u>	<u>1,713,858</u>	<u>2,500,000</u>	<u>140,000</u>	<u>12,500,000</u>
SPECIAL ITEM:					
Gain on sale of land held for investment	<u>--</u>	<u>--</u>	<u>2,906,664</u>	<u>--</u>	<u>2,906,664</u>
Net change in fund balance	(2,522,644)	4,000,000	(1,538,435)	60,129	(950)
FUND BALANCES, BEGINNING OF YEAR	<u>4,946,515</u>	<u>--</u>	<u>1,845,555</u>	<u>80,406</u>	<u>6,872,476</u>
FUND BALANCES, END OF YEAR	\$ <u><u>2,423,871</u></u>	\$ <u><u>4,000,000</u></u>	\$ <u><u>307,120</u></u>	\$ <u><u>140,535</u></u>	\$ <u><u>6,871,526</u></u>

The accompanying notes to basic financial statements are an integral part of these 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 Year Ended September 30, 2006

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS, PAGE 16 \$ (950)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital outlays	3,076,215
Less current year provision for depreciation	(686,874)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	12,121,000
--	------------

The issuance of long-term debt provides current financial resources to governmental funds; however, has no effect on net assets:

Note proceeds	(12,500,000)
---------------	--------------

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

Provision for amortization of original issue premium	4,989
Change in accrued interest payable	(1,095)
Provision for amortization of debt issuance costs	<u>(3,550)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 12 \$ 2,009,735

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

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the Town of Southwest Ranches, Florida's (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 of America (GAAP) as applicable to governments. The more significant of the Town's accounting policies are described below.

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 elected Council 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.

The basic criteria for determining whether another organization should be included in the Town's reporting entity for basic 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.

Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 as general revenues.

Separate financial statements are provided for governmental funds and for proprietary funds and fiduciary funds, if applicable, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. The Town's financial statements include only governmental funds.

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 from the end of the current fiscal year, except for property taxes for which the period is sixty days from the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, utility taxes, franchise fees, licenses and permits, and investment income 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. All other revenues 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 Debt Service Fund accounts for the payment of long-term debt principal and interest.

The Capital Project Fund accounts for the acquisition of equipment and construction of major capital projects.

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.

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.

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivable 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" (i.e., the non-current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Residual balances, if any, outstanding between the governmental activities and business activities are reported in the government-wide financial statements as "internal balances."

Inventory and prepaids:

Inventory is valued at average cost using a specific identification method. Inventory 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.

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, 2006.

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 Council and the Broward County Property Appraiser, who incorporates the Town's millage into the total tax levy, which includes the County, County School Board and other agencies tax requirements. The millage rate assessed by the Town for the year ended September 30, 2006 was 3.000 mills (\$ 3.00 per \$ 1,000 of taxable assessed valuation).

TOWN OF SOUTHWEST RANCHES, FLORIDA
 NOTES TO BASIC FINANCIAL STATEMENTS
 September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets:

Capital assets, which include land, construction in progress, infrastructure, improvements other than buildings, buildings, furniture and equipment, and leasehold improvements, 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 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.

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

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

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 debt issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Long-term debt is reported net of the applicable premium or discount.

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.

Fund equity/net assets:

Government-wide financial statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes, loans, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund financial statements:

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

NOTE 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 United States Treasury.

During the year, the Town’s pooled cash was held in qualified depositories. At September 30, 2006, the carrying amount of the Town’s bank deposits was \$ 5,635,092 while the bank balances of such deposits were \$ 5,803,728 due to deposits in transit of \$ 143,566 and outstanding checks of \$ 312,202. 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, United State 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.

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 2 - CASH AND CASH EQUIVALENTS (continued)

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 or the FDIC.

NOTE 3 - INVENTORY

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

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2006 was as follows:

	<u>Balance October 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2006</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 33,086,540	\$ --	\$ --	\$ 33,086,540
Construction in progress	<u>1,180,236</u>	<u>2,384,563</u>	<u>49,160</u>	<u>3,515,639</u>
Total capital assets, not being depreciated	<u>34,266,776</u>	<u>2,384,563</u>	<u>49,160</u>	<u>36,602,179</u>
Capital assets, being depreciated:				
Infrastructure	18,166,470	170,762	--	18,337,232
Improvements other than buildings	2,813,608	49,160	--	2,862,768
Buildings	229,760	350,000	--	579,760
Furniture and equipment	179,857	170,890	--	350,747
Leasehold improvements	<u>119,677</u>	<u>--</u>	<u>--</u>	<u>119,677</u>
Total capital assets being depreciated	<u>21,509,372</u>	<u>740,812</u>	<u>--</u>	<u>22,250,184</u>
Total capital assets	<u>55,776,148</u>	<u>3,125,375</u>	<u>49,160</u>	<u>58,852,363</u>
Less accumulated depreciation for:				
Infrastructure	6,682,838	475,185	--	7,158,023
Improvements other than buildings	242,754	156,912	--	399,666
Buildings	6,893	4,595	--	11,488
Furniture and equipment	55,311	26,249	--	81,560
Leasehold improvements	<u>68,758</u>	<u>23,933</u>	<u>--</u>	<u>92,691</u>
Total accumulated depreciation	<u>7,056,554</u>	<u>686,874</u>	<u>--</u>	<u>7,743,428</u>
Total capital assets, being depreciated, net	<u>14,452,818</u>	<u>53,938</u>	<u>--</u>	<u>14,506,756</u>
Governmental activities capital assets, net	\$ <u>48,719,594</u>	\$ <u>2,438,501</u>	\$ <u>49,160</u>	\$ <u>51,108,935</u>

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 4 - CAPITAL ASSETS (continued)

Provision for depreciation was charged to functions/programs of the Town as follows:

Public works	\$	471,185
Parks and recreation		165,319
General government		47,429
Public safety		<u>2,941</u>
Total provision for depreciation	\$	<u>686,874</u>

NOTE 5 - RECEIVABLES AND PAYABLES

Receivables at September 30, 2006 were as follows:

	<u>Grants</u>	<u>Taxes</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 185,322	\$ 200,830	\$ 34,746	\$ 420,898
Debt Service Fund	1,146,068	--	--	1,146,068
Capital Project Fund	150,000	--	315,000	465,000
Nonmajor governmental fund, Special Revenue Transportation Fund	<u>--</u>	<u>15,734</u>	<u>--</u>	<u>15,734</u>
Total governmental activities	\$ <u>1,481,390</u>	\$ <u>216,564</u>	\$ <u>349,746</u>	\$ <u>2,047,700</u>

Payables at September 30, 2006 were as follows:

	<u>Vendors</u>	<u>Other Governments</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 286,699	\$ 542,124	\$ 828,823
Capital Project Fund	229,246	--	229,246
Nonmajor governmental fund, Special Revenue Transportation Fund	<u>9,242</u>	<u>--</u>	<u>9,242</u>
Total governmental activities	\$ <u>525,187</u>	\$ <u>542,124</u>	\$ <u>1,067,311</u>

Interfund transfers during fiscal year 2006 consisted of the following:

	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Fund, Special Revenue Transportation Fund</u>	<u>Total</u>
General Fund	\$ <u>1,713,858</u>	\$ <u>140,000</u>	\$ <u>1,853,858</u>

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 6 - INTERFUND TRANSFERS

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 unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

NOTE 7 - LONG-TERM DEBT

Florida Municipal Loan Council

The Town previously entered into a loan agreement with the Florida Municipal Loan Council funded from proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2001A (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 and principal payment of varying amounts on November of each fiscal year through May 1, 2032. The interest rate at September 30, 2006 was 4.5%. 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 2006, the Town was in compliance with this covenant.

The annual requirements to pay principal and interest on this obligation as of September 30, 2006 are as follows:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 90,000	\$ 230,125	\$ 320,125
2008	95,000	225,963	320,963
2009	100,000	221,325	321,325
2010	105,000	216,200	321,200
2011	110,000	210,825	320,825
2012-2016	635,000	962,787	1,597,787
2017-2021	820,000	774,662	1,594,662
2022-2026	1,050,000	546,013	1,596,013
2027-2031	1,335,000	249,875	1,584,875
2032	<u>305,000</u>	<u>7,625</u>	<u>312,625</u>
	<u>\$ 4,645,000</u>	<u>\$ 3,645,400</u>	<u>\$ 8,290,400</u>

Notes Payable

The Town previously entered into pooled commercial paper loan agreement with the Florida Local Government Finance Commission for total available funds of \$ 13,000,000 to finance the acquisition of property for the Town's capital improvement program. The loans are collateralized by the Town's non-ad valorem revenues. Interest rates fluctuated during the year from 2.67% to 3.61% and were applied and paid monthly on the outstanding Note balance. Other loan costs include various administrative fees and draw down costs of \$ 2,000 for each \$ 1,000,000 of draw down. During the year, there were draw downs of \$ 12,500,000 and repayments of \$ 7,000,000. The outstanding balance under this agreement for the year ended September 30, 2006 is \$ 5,500,000. The principal of each draw will be repaid as follows. On December 4, 2007, \$ 3,000,000 is due and the balance of \$ 2,500,000 is due on December 6, 2011.

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 7 - LONG-TERM DEBT (continued)

The Town previously 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 carries an interest rate of 8.50% at September 30, 2006. Interest is to be automatically adjusted to the prime rate plus 0.25%. The maturity date was extended subsequent to year end (Note 11).

The annual requirements to pay principal on notes payable are as follows:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 600,000	\$ 204,880	\$ 804,880
2008	3,000,000	110,087	3,110,087
2009	--	89,442	89,442
2010	--	89,442	89,442
2011	--	89,442	89,442
2012	<u>2,500,000</u>	<u>17,357</u>	<u>2,517,357</u>
	<u>\$ 6,100,000</u>	<u>\$ 600,650</u>	<u>\$ 6,700,650</u>

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

	<u>Balance October 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2006</u>	<u>Due Within One Year</u>
Notes payable	\$ 10,366,000	\$ 12,500,000	\$ (12,121,000)	\$ 10,745,000	\$ 690,000
Add unamortized reoffering premium	95,627	--	(4,989)	90,638	--
Less unamortized underwriters discount	<u>(26,280)</u>	<u>--</u>	<u>1,371</u>	<u>(24,909)</u>	<u>--</u>
	<u>\$ 10,435,347</u>	<u>\$ 12,500,000</u>	<u>\$ (12,124,618)</u>	<u>\$ 10,810,729</u>	<u>\$ 690,000</u>

NOTE 8 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to 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.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Agreement with Broward County for Local Police Patrol Services

The Town previously 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 \$ 1,400,336 for police services under this contract for the fiscal year ended September 30, 2006.

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 9 - COMMITMENTS AND CONTINGENCIES (continued)

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

The Town previously entered into an interlocal agreement with the Town of Davie for the delivery of emergency medical and fire protection services to the eastern portion of the Town. The Town paid \$ 378,851 under this contract for the fiscal year ended September 30, 2006. A new agreement was signed subsequent to year end (Note 11).

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

The Town previously entered into an interlocal agreement with Broward County (the County) for the delivery of emergency medical and fire protection services to the western portion of the Town. Fees increase by an amount not to exceed \$ 25,000 per year. Effective October 1, 2003, this agreement was amended to assign the County's rights, obligations and responsibilities to the Sheriff of Broward County. During the year, the Town extended the agreement through September 30, 2006. The Town paid \$ 625,000 under this contract for the fiscal year ended September 30, 2006.

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

The Town previously entered into an agreement with Southwest Ranches Volunteer Fire-Rescue, Inc. (Volunteer Fire Department) for fire rescue services. The agreement automatically renews for one-year periods unless terminated by either party. The Town paid \$ 48,747 under this agreement for the fiscal year ended September 30, 2006.

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

The Town previously 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, 2006, the Town has submitted reimbursement requests for \$ 150,000.

Agreement for Planning and Zoning Services

The Town previously entered into an agreement with a consultant to provide planning and zoning services on a full cost recovery fee structure. This agreement will expire September 30, 2007.

Agreement for Building Permit and Inspection Services

The Town previously entered into an agreement with Broward County to provide building code services. The agreement was in effect until September 30, 2010; however, it provided for written notice of termination. Subsequent to year end, the Town terminated the agreement and entered into a service agreement with a new provider effective November 1, 2006 through October 31, 2009. The amount of compensation is based on rates and schedules set forth in the agreement with yearly increases equal to the consumer price index increase with a maximum annual increase of 3%.

TOWN OF SOUTHWEST RANCHES, FLORIDA
 NOTES TO BASIC FINANCIAL STATEMENTS
 September 30, 2006

NOTE 9 - COMMITMENTS AND CONTINGENCIES (continued)

Agreement for Code Compliance Services

Effective April 24, 2006, the Town entered into a service agreement with a new provider 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 \$ 130,000 with annual fee increases of five percent (5%). Either party may terminate this agreement upon providing 90 days written notice.

Grant Consulting Agreements

The Town previously 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. This agreement may be terminated by either party with 15 days notice.

Town Hall Lease Agreement

The Town previously entered into a two year lease agreement with South Broward Drainage District. Under the agreement, the Town leased property on which the temporary Town Hall is located for \$ 30,000 per year. Subsequent to year end, the Town entered into a new agreement (Note 11).

Town Administration Agreement

The Town previously entered into an agreement with the Town Administrator for the administration of the Town. After the initial term, the agreement was extended by mutual agreement. The agreement included the positions of Town Administrator, Town Clerk, Program Management and Support Staff. The Town exercised its option and extended the term of the agreement through September 2008. The fee for administrative services is as follows:

September 30,

2007	\$	722,484
2008		<u>758,604</u>
Total	\$	<u>1,481,088</u>

Subsequent to year-end, the Town terminated the contract with the Town Administrator.

Maintenance Agreement

The Town previously 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.

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 9 - COMMITMENTS AND CONTINGENCIES (continued)

Litigation

The Town is a defendant in various suits and claims incidental to its operations. Although the outcome of the litigation is not presently determinable, it is the opinion of the Town Attorney that resolution of these matters 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.

Capital Project Management Agreement

The Town previously 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 provided for program management for an estimated capital program totaling \$ 24,099,200. Subsequent to year end, the Town terminated this agreement (Note 11).

NOTE 10 - DESIGNATED FUND BALANCE

The amount designated for contingencies by the Town Council is for unforeseen and unbudgeted expenditures.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent to year end, the Town signed an agreement with the Town of Davie for the delivery of emergency medical and fire protection services. The agreement calls for fees of \$ 400,824 for the year ended September 30, 2007. The initial term of the agreement is from October 1, 2006 to September 30, 2008, with two additional one-year periods, which renew automatically unless terminated by either party. Fees will increase by a minimum of 5% per year, not to exceed the Consumer Price Index.

Subsequent to year end, the Town also entered into a new agreement to continue leasing its temporary Town Hall facility. Under the agreement, the Town will pay a \$ 115,000 non-refundable three-year lease payment and a refundable \$ 50,000 security deposit.

In addition, subsequent to year end, the Town extended the maturity date of the \$ 600,000 bank note payable to November 12, 2007 (Note 7). The interest rate remains at prime plus .25%.

**REQUIRED SUPPLEMENTARY
INFORMATION**

TOWN OF SOUTHWEST RANCHES, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Ad valorem taxes	\$ 2,903,900	\$ 2,903,900	\$ 2,969,270	\$ 65,370
Special assessments	1,028,000	1,028,000	1,126,695	98,695
Utility taxes	465,000	465,000	521,151	56,151
Service taxes	195,000	255,000	253,051	(1,949)
Franchise fees	380,000	522,000	555,222	33,222
Licenses and permits	490,000	490,000	306,517	(183,483)
Intergovernmental	540,000	540,000	652,622	112,622
Fines and forfeitures	30,000	30,000	37,095	7,095
Grants	--	931,875	185,321	(746,554)
Donated property	--	--	350,000	350,000
Sale of trees	--	300,000	291,084	(8,916)
Investment income	70,000	235,000	227,190	(7,810)
Miscellaneous	<u>80,000</u>	<u>246,000</u>	<u>242,590</u>	<u>(3,410)</u>
Total revenues	<u>6,181,900</u>	<u>7,946,775</u>	<u>7,717,808</u>	<u>(228,967)</u>
EXPENDITURES:				
Current:				
General government:				
Town Council	119,200	221,650	163,190	58,460
Town administration	804,870	864,770	845,797	18,973
Town attorney	<u>250,000</u>	<u>318,000</u>	<u>293,790</u>	<u>24,210</u>
Total general government	<u>1,174,070</u>	<u>1,404,420</u>	<u>1,302,777</u>	<u>101,643</u>
Public safety:				
Police	1,401,540	1,401,540	1,402,816	(1,276)
Fire	<u>1,130,000</u>	<u>1,188,000</u>	<u>1,060,898</u>	<u>127,102</u>
Total public safety	<u>2,531,540</u>	<u>2,589,540</u>	<u>2,463,714</u>	<u>125,826</u>
Community development	776,000	1,261,000	1,200,384	60,616
Parks and recreation	130,000	284,770	669,365	(384,595)
Public works	635,000	635,000	602,649	32,351
Roadways and hurricane related expenses	--	12,500,000	12,107,067	392,933
Nondepartmental	242,500	62,500	29,897	32,603
Capital outlay	<u>20,000</u>	<u>13,000</u>	<u>10,741</u>	<u>2,259</u>
Total expenditures	<u>5,509,110</u>	<u>18,750,230</u>	<u>18,386,594</u>	<u>363,636</u>
Excess (deficiency) of revenues over expenditures	<u>672,790</u>	<u>(10,803,455)</u>	<u>(10,668,786)</u>	<u>134,669</u>

TOWN OF SOUTHWEST RANCHES, FLORIDA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 (continued)
 For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES):				
Issuance of debt	--	12,500,000	10,000,000	(2,500,000)
Transfers out	(672,790)	(2,072,790)	(1,853,858)	218,932
Prior year's fund balance	<u> --</u>	<u> 376,245</u>	<u> --</u>	<u>(376,245)</u>
Total other financing sources (uses)	<u>(672,790)</u>	<u>10,803,455</u>	<u>8,146,142</u>	<u>(2,657,313)</u>
Net change in fund balance	--	--	(2,522,644)	(2,522,644)
 FUND BALANCES, BEGINNING OF YEAR	 <u>4,946,515</u>	 <u>4,946,515</u>	 <u>4,946,515</u>	 <u> --</u>
 FUND BALANCES, END OF YEAR	 \$ <u>4,946,515</u>	 \$ <u>4,946,515</u>	 \$ <u>2,423,871</u>	 \$ <u>(2,522,644)</u>

The accompanying notes to budgetary schedule are an integral part of these statements.

TOWN OF SOUTHWEST RANCHES, FLORIDA
 NOTES TO BUDGETARY COMPARISON SCHEDULE
 September 30, 2006

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, in the form of a resolution, may amend the budget, make changes between funds or from a reserve, and increase or decrease a fund. The Town Administrator may make changes within a department. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and is subject to future appropriations.
- e. Annual appropriated budgets are adopted for the General Fund, the Special Revenue Fund, Debt Service Fund and Capital Project 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.

b. Excess of Expenditures over Appropriations

Expenditures exceeded the budget in the General Fund for the fiscal year ended September 30, 2006 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>
Parks and Recreation	\$ 284,770	\$ 669,365	\$ 384,595

This excess is due to the contribution of a historical building which is recorded as a revenue and an expense and the cost of tree sales which are not included in the budget.

**OTHER
FINANCIAL INFORMATION**

TOWN OF SOUTHWEST RANCHES, FLORIDA
 BUDGETARY COMPARISON SCHEDULE -
 TRANSPORTATION SPECIAL REVENUE FUND
 For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental:				
Local option gas tax	\$ 145,000	\$ 145,000	\$ 141,257	\$ (3,743)
State revenue sharing	<u>35,000</u>	<u>35,000</u>	<u>68,032</u>	<u>33,032</u>
Total revenues	<u>180,000</u>	<u>180,000</u>	<u>209,289</u>	<u>29,289</u>
EXPENDITURES:				
Current:				
Public works	210,000	266,000	195,353	70,647
Capital outlay	<u>160,000</u>	<u>104,000</u>	<u>93,807</u>	<u>10,193</u>
Total expenditures	<u>370,000</u>	<u>370,000</u>	<u>289,160</u>	<u>80,840</u>
Excess (deficiency) of revenues over (under) expenditures	(190,000)	(190,000)	(79,871)	110,129
OTHER FINANCING SOURCES:				
Transfers in	140,000	140,000	140,000	--
Prior year's fund balance	<u>50,000</u>	<u>50,000</u>	<u>--</u>	<u>(50,000)</u>
Total other financing sources	<u>190,000</u>	<u>190,000</u>	<u>140,000</u>	<u>(50,000)</u>
Net change in fund balance	--	--	60,129	60,129
FUND BALANCE, BEGINNING OF YEAR	<u>80,406</u>	<u>80,406</u>	<u>80,406</u>	<u>--</u>
FUND BALANCE, END OF YEAR	\$ <u>80,406</u>	\$ <u>80,406</u>	\$ <u>140,535</u>	\$ <u>60,129</u>

TOWN OF SOUTHWEST RANCHES, FLORIDA
 BUDGETARY COMPARISON SCHEDULE -
 DEBT SERVICE FUND
 For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Grants	\$ <u> --</u>	\$ <u>8,750,000</u>	\$ <u>10,000,000</u>	\$ <u>1,250,000</u>
EXPENDITURES:				
Debt service:				
Principal	90,000	10,058,000	7,085,000	2,973,000
Interest and fiscal charges	<u>433,790</u>	<u>624,790</u>	<u>628,858</u>	<u>(4,068)</u>
Total expenditures	<u>523,790</u>	<u>10,682,790</u>	<u>7,713,858</u>	<u>2,968,932</u>
Excess (deficiency) of revenues over (under) expenditures	(523,790)	(1,932,790)	2,286,142	4,218,932
OTHER FINANCING SOURCES:				
Transfers in	<u>523,790</u>	<u>1,932,790</u>	<u>1,713,858</u>	<u>(218,932)</u>
Net change in fund balance	--	--	4,000,000	4,000,000
FUND BALANCE, BEGINNING OF YEAR	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
FUND BALANCE, END OF YEAR	\$ <u> --</u>	\$ <u> --</u>	\$ <u>4,000,000</u>	\$ <u>4,000,000</u>

TOWN OF SOUTHWEST RANCHES, FLORIDA
 BUDGETARY COMPARISON SCHEDULE -
 CAPITAL PROJECT FUND
 For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Public safety fee	\$ 600,000	\$ 600,000	\$ 500,000	\$ (100,000)
Grants	392,500	723,172	273,455	(449,727)
Miscellaneous	<u>--</u>	<u>--</u>	<u>700</u>	<u>700</u>
Total revenues	<u>992,500</u>	<u>1,323,172</u>	<u>774,145</u>	<u>(549,027)</u>
EXPENDITURES:				
Current:				
Administrative costs	1,342,500	1,555,850	1,576,416	(20,566)
Capital outlay	1,809,000	3,281,350	1,102,961	2,178,389
Debt service:				
Principal	--	5,036,000	5,036,000	--
Interest and fiscal charges	<u>--</u>	<u>--</u>	<u>3,867</u>	<u>(3,867)</u>
Total expenditures	<u>3,151,500</u>	<u>9,873,200</u>	<u>7,719,244</u>	<u>2,153,956</u>
Excess (deficiency) of revenues over (under) expenditures	(2,159,000)	(8,550,028)	(6,945,099)	1,604,929
OTHER FINANCING SOURCES:				
Issuance of debt	500,000	2,500,000	2,500,000	--
Prior year's fund balance	<u>1,659,000</u>	<u>1,711,028</u>	<u>--</u>	<u>(1,711,028)</u>
Total other financing sources	<u>2,159,000</u>	<u>4,211,028</u>	<u>2,500,000</u>	<u>(1,711,028)</u>
SPECIAL ITEM:				
Proceeds from sale of land held for investment	<u>--</u>	<u>4,339,000</u>	<u>2,906,664</u>	<u>(1,432,336)</u>
Net change in fund balance	--	--	(1,538,435)	(1,538,435)
FUND BALANCE, BEGINNING OF YEAR	<u>1,845,555</u>	<u>1,845,555</u>	<u>1,845,555</u>	<u>--</u>
FUND BALANCE, END OF YEAR	\$ <u>1,845,555</u>	\$ <u>1,845,555</u>	\$ <u>307,120</u>	\$ <u>(1,538,435)</u>

STATISTICAL SECTION

(NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

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

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
1997	\$ --	\$ --	\$ --
1998	--	--	--
1999	--	--	--
2000	--	--	--
2001	--	--	--
2002	795,479	--	2,977,772
2003	1,462,312	--	3,125,694
2004	1,453,925	--	7,967,899
2005	1,653,222	1,044,829	8,888,098
2006	2,494,988	10,414,610	603,445

(1) Information for fiscal years ended September 30, 1997 to 2001 are unavailable.

	<u>Property Taxes</u>	<u>Franchise Fees</u>	<u>Utility and Service Taxes</u>	<u>Unrestricted Investment Earnings and Miscellaneous</u>	<u>Inter- governmental</u>	<u>Total</u>	
\$	--	\$	--	\$	--	\$	--
	--		--		--		--
	--		--		--		--
	--		--		--		--
	--		--		--		--
	1,801,116		620,734		768,905		7,419,604
	1,956,415		657,677		665,240		8,402,227
	2,122,694		613,281		956,848		13,874,768
	2,503,781		496,246		783,565		16,261,681
	2,969,270		774,202		652,622		18,701,242

TOWN OF SOUTHWEST RANCHES, FLORIDA
GOVERNMENTAL-WIDE EXPENSES BY FUNCTION (1)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>
1997	\$ --	\$ --	\$ --
1998	--	--	--
1999	--	--	--
2000	--	--	--
2001	--	--	--
2002	877,242	1,947,075	135,620
2003	749,888	2,024,690	656,611
2004	835,810	2,111,633	938,493
2005	1,783,732	2,271,390	1,992,753
2006	1,407,916	2,466,655	13,376,254

(1) Information for fiscal years ended September 30, 1997 to 2001 are unavailable.

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2006

NOTE 6 - INTERFUND TRANSFERS

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 unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

NOTE 7 - LONG-TERM DEBT

Florida Municipal Loan Council

The Town previously entered into a loan agreement with the Florida Municipal Loan Council funded from proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2001A (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 and principal payment of varying amounts on November of each fiscal year through May 1, 2032. The interest rate at September 30, 2006 was 4.5%. 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 2006, the Town was in compliance with this covenant.

The annual requirements to pay principal and interest on this obligation as of September 30, 2006 are as follows:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 90,000	\$ 230,125	\$ 320,125
2008	95,000	225,963	320,963
2009	100,000	221,325	321,325
2010	105,000	216,200	321,200
2011	110,000	210,825	320,825
2012-2016	635,000	962,787	1,597,787
2017-2021	820,000	774,662	1,594,662
2022-2026	1,050,000	546,013	1,596,013
2027-2031	1,335,000	249,875	1,584,875
2032	<u>305,000</u>	<u>7,625</u>	<u>312,625</u>
	<u>\$ 4,645,000</u>	<u>\$ 3,645,400</u>	<u>\$ 8,290,400</u>

Notes Payable

The Town previously entered into pooled commercial paper loan agreement with the Florida Local Government Finance Commission for total available funds of \$ 13,000,000 to finance the acquisition of property for the Town's capital improvement program. The loans are collateralized by the Town's non-ad valorem revenues. Interest rates fluctuated during the year from 2.67% to 3.61% and were applied and paid monthly on the outstanding Note balance. Other loan costs include various administrative fees and draw down costs of \$ 2,000 for each \$ 1,000,000 of draw down. During the year, there were draw downs of \$ 12,500,000 and repayments of \$ 7,000,000. The outstanding balance under this agreement for the year ended September 30, 2006 is \$ 5,500,000. The principal of each draw will be repaid as follows. On December 4, 2007, \$ 3,000,000 is due and the balance of \$ 2,500,000 is due on December 6, 2011.

<u>Community Development</u>	<u>Non- Departmental</u>	<u>Parks and Recreation</u>	<u>Interest on Long Term Debt</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
687,405	28,131	2,959	258,654	3,937,086
767,903	54,929	--	329,346	4,583,367
906,494	256,760	132,391	394,403	5,575,984
1,018,218	262,431	240,120	431,092	7,999,736
1,200,384	29,897	484,684	632,381	19,598,171

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 Service and Utility Taxes</u>	<u>License and Permits</u>
1997	\$ --	\$ --	\$ --
1998	--	--	--
1999	--	--	--
2000	--	--	--
2001	2,147,639	753,906	130,123
2002	1,828,082	975,950	426,100
2003	1,956,415	1,048,970	234,345
2004	2,122,694	1,022,016	354,718
2005	2,503,780	1,163,321	296,036
2006	2,969,270	1,329,424	306,517

(1) Information for fiscal years ended September 30, 1997 to 2000 are unavailable.

<u>Inter-Governmental</u>	<u>Special Assessments</u>	<u>Fines and Forfeitures</u>	<u>Operating Grants</u>	<u>Other</u>	<u>Totals</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
596,408	--	10,693	--	40,662	3,679,431
619,000	477,043	10,000	--	50,000	4,386,175
488,901	1,190,746	37,221	--	146,933	5,103,531
956,848	1,065,050	34,157	--	351,386	5,906,869
585,926	1,098,521	28,527	1,044,829	438,603	7,159,543
861,911	1,126,695	37,095	10,458,766	1,611,564	18,701,242

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

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>
1997	\$ --	\$ --	\$ --
1998	--	--	--
1999	--	--	--
2000	--	--	--
2001	592,945	1,821,106	--
2002	730,200	1,953,500	75,000
2003	712,464	2,024,690	614,965
2004	788,257	2,111,633	938,493
2005	1,274,071	2,271,390	1,992,753
2006	2,879,193	2,463,714	12,905,069

(1) Information for fiscal years ended September 30, 1997 to 2000 are unavailable.

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

<u>Community Development</u>	<u>Other (*)</u>	<u>Total</u>
\$ --	\$ --	\$ --
--	--	--
--	--	--
--	--	--
235,900	4,105,580	6,755,531
531,000	6,577,215	9,866,915
767,903	1,862,602	5,982,624
906,494	17,180,080	21,924,957
1,018,218	17,255,197	23,811,629
1,200,384	14,660,496	34,108,856

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 Year</u>	<u>Total Town Operations</u>	<u>Broward County Operations</u>	<u>Broward County Schools</u>
1997	1996	--	--	--
1998	1997	--	--	--
1999	1998	--	--	--
2000	1999	--	--	--
2001	2000	3.8933	7.5250	8.9553
2002	2001	3.0000	7.4005	8.7541
2003	2002	3.0000	7.3650	8.8825
2004	2003	3.0000	7.1880	8.4176
2005	2004	3.0000	6.7800	8.0623
2006	2005	3.0000	6.0661	7.8687

(1) Information for fiscal years ended September 30, 1997 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

<u>South Florida Water Management District</u>	<u>Hospital District</u>	<u>Florida Inland Navigation District</u>	<u>Total Town Wide</u>
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
0.6970	2.4803	0.0410	23.5919
0.6970	2.4803	0.0385	22.3704
0.6970	2.4803	0.0385	22.4633
0.6970	2.4803	0.0385	21.8214
0.6970	2.4803	0.0385	21.0581
0.6971	1.8317	0.0385	19.5021

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

<u>Fiscal Year</u>	<u>Total Amount of Special Assessments Receivable Beginning of Year</u>	<u>Amount of Special Assessments Becoming Due During Fiscal Year</u>	<u>Special Assessment Collected</u>	<u>Total Amount of Special Assessments Collected In Excess of Amounts Due</u>
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)
2006	--	1,028,000	1,126,695	(98,695)

(1) Information for fiscal years ended September 30, 1997 to 2000 are unavailable.

TOWN OF SOUTHWEST RANCHES, FLORIDA
COMPUTATION OF LEGAL DEBT MARGIN
September 30, 2006

The Town Charter sets limit of bond indebtedness at 15% of assessed valuations and at this time, the Town has no general obligation bond debt.

TOWN OF SOUTHWEST RANCHES, FLORIDA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 GENERAL OBLIGATION DEBT
 September 30, 2006

	<u>Net Debt</u>	<u>Percent Applicable *</u>	<u>Overlapping Net Debt</u>
Town of Southwest Ranches	\$ --	--	\$ --
Broward County School Districts	54,056,000	1.295%	700,025
Broward County	575,384,000	1.295%	<u>7,451,222</u>
Total Direct and Overlapping Debt			\$ <u>8,151,247</u>

* Percentage based on assessment valuations.

**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	\$ 31,671,300	2.60%
U.S. Retail income Fund	Coquino Plaza	13,561,310	1.14%
Lowe's Home Center, Inc.	Building Materials	12,888,550	1.06%
Landmark Custom Ranches	Developer	8,764,740	0.72%
Canyon Creek Estates, LLC	Developer	7,327,520	0.60%
Rising Tide Development, LLC	Storage Facility	5,946,130	0.49%
SCI Funeral Services	Funeral	5,782,560	0.48%
Republica Musicana	Developer	4,988,040	0.41%
Stone Creek at Sunrise	Developer	4,654,990	0.38%
James Jerome	Residential	<u>4,132,320</u>	<u>0.34%</u>
		\$ <u>99,717,460</u>	<u>8.22%</u>

TOWN OF SOUTHWEST RANCHES, FLORIDA
DEMOGRAPHIC AND MISCELLANEOUS STATISTICS
September 30, 2006

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 0
Total of all faculty 0

Area
Square 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, 2006
All contracted services - no employees
5 elected officials

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

<u>Year</u>	<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	--	--	39,794	0.00%	131,160,000	0.00%
1950	--	--	83,933	110.91%	151,326,000	15.38%
1960	--	--	333,946	297.87%	179,323,000	18.50%
1970	--	--	620,100	85.69%	203,235,000	13.33%
1980	--	--	1,048,133	69.03%	226,505,000	11.45%
1990	--	--	1,255,488	19.78%	248,709,873	9.80%
2000	7,058	100%	1,623,018	29.27%	281,421,906	13.15%

**OTHER REPORTS OF
INDEPENDENT AUDITORS**



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A.
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ISRAEL J. GOMEZ, C.P.A.
JAMES R. LARAWAY, C.P.A.

ROSS S. GOTTHOFFER, C.P.A.
HILLARY B. DAIGLE, C.P.A.

6550 NORTH FEDERAL HIGHWAY
SUITE 410
FORT LAUDERDALE, FLORIDA 33308
(954) 771-0896
FAX: (954) 938-9353
E-MAIL: kmc@kmccpa.com

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

To the Honorable Mayor, Vice Mayor, Town Council Members and Town Administrator
Town of Southwest Ranches, Florida

We have audited the accompanying basic financial statements of Town of Southwest Ranches, Florida (the "Town"), as of and for the year ended September 30, 2006, and have issued our report thereon dated February 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as items 2005-1, 2005-2 and 2004-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by management in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we consider the reportable conditions described above as items 2005-1 and 2004-2 to be a material weakness.

Town of Southwest Ranches, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the schedule of findings and recommendations as item 2001-3.

We also noted other matters that we have reported to management in the schedule of findings and recommendations accompanying this report.

This report is intended solely for the information and use of the Town Council members, management and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
February 6, 2007



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FAX: (954) 938-9353
E-MAIL: kmc@kmccpa.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND INTERNAL CONTROL OVER COMPLIANCE
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM**

To the Honorable Mayor, Vice Mayor, Town Council Members and Town Administrator
Town of Southwest Ranches, Florida

Compliance

We have audited the compliance of Town of Southwest Ranches, Florida with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, that are applicable to its major Federal program for the year ended September 30, 2006. Town of Southwest Ranches, Florida's major Federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs on page 57. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal program is the responsibility of Town of Southwest Ranches, Florida's management. Our responsibility is to express an opinion on Town of Southwest Ranches, Florida's compliance based on our audit.

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

In our opinion, Town of Southwest Ranches, Florida complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended September 30, 2006.


Town of Southwest Ranches, Florida

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by management in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Town Council members, management, Federal awarding agencies and other grantor and pass-through entities, and is not intended and should not be used by anyone other than these specified parties.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
February 6, 2007

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2006

<u>Federal/State Agency</u> <u>Pass-through Entity</u> <u>Federal Program/State Project</u>	<u>CFDA/CSFA</u> <u>Number</u>	<u>Contract/</u> <u>Grant Number</u>	<u>Expenditures</u>	<u>Transfers to</u> <u>Subrecipients</u>
FEDERAL AGENCY NAME:				
Indirect Programs:				
United States Department of Homeland Security - Passed through the State of Florida Department of Community Affairs Public Assistance Grants				
	* 97.036	06-WL-&K-11- 16-02-701	\$ <u>8,730,275</u>	\$ <u> --</u>
Total Expenditures of Federal Awards			\$ <u><u>8,730,275</u></u>	\$ <u><u> --</u></u>
 STATE AGENCY NAME:				
Direct project:				
State of Florida Department of Environmental Protection - Florida Recreation Development Assistance Program				
	37.017	F6293	\$ <u>150,000</u>	\$ <u> --</u>
Total Expenditures of State Financial Assistance			\$ <u><u>150,000</u></u>	\$ <u><u> --</u></u>

* Denotes a major program

TOWN OF SOUTHWEST RANCHES, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2006

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards and state financial assistance includes the Federal and state grant activity of Town of Southwest Ranches, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - ESTIMATES

Grant and contract revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. The preparation of these schedules require management to make estimates and assumptions that affect the reported amounts of assets at the date of the basic financial statements and the reported amounts of revenues during the reporting period. Actual results could differ from those estimates.

Grant related expenditures made by Town of Southwest Ranches, Florida are subject to additional audit by grantor agencies. As a result of such audits, the grantor may require that amounts be returned and/or pending reimbursements may be deemed unallowable.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL PROGRAMS
For the Year Ended September 30, 2006

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements.
2. Three reportable conditions relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Two of the conditions are reported as material weaknesses.
3. One instance of noncompliance material to the basic financial statements of Town of Southwest Ranches, Florida, was disclosed during the audit.
4. No reportable conditions relating to the audit of the major Federal program are reported in the Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program.
5. The auditors' report on compliance for the major Federal program for Town of Southwest Ranches, Florida expresses an unqualified opinion.
6. No audit findings relative to the major Federal program for Town of Southwest Ranches, Florida are reported in Part C of this schedule.
7. The program tested as a major program is as follows:

Federal Program	Federal CFDA No.
United States Department of Homeland Security - Public Assistance Grants	97.036
8. The threshold for distinguishing Types A and B programs was \$ 300,000 for the major Federal program.
9. Town of Southwest Ranches, Florida was not determined to be a low-risk auditee pursuant to OMB Circular A-133.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

See Schedule of Findings and Recommendations on pages 60 through 65.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAM AUDIT

There were no findings and questioned costs.

D. OTHER ISSUES

A management letter is presented; however, there are no comments relating to Federal awards in the management letter

No summary schedule of prior audit findings is required because there were no prior audit findings related to Federal programs.

No corrective action plan is required because there were no findings required to be reported under the Federal Single Audit Act.



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A.
PAUL B. SNEIDER, C.P.A. (RETIRED)
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.

JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
BRIAN D. PINNELL, C.P.A. (RETIRED)
KENNETH G. SMITH, C.P.A.
LOUIS R. PROIETTO, C.P.A.
CYNTHIA L. CALVERT, C.P.A.

CHARLES K. RUMPF, C.P.A.
ISRAEL J. GOMEZ, C.P.A.
JAMES R. LARAWAY, C.P.A.

ROSS S. GOTTHOFFER, C.P.A.
HILLARY B. DAIGLE, C.P.A.

6550 NORTH FEDERAL HIGHWAY
SUITE 410
FORT LAUDERDALE, FLORIDA 33308
(954) 771-0896
FAX: (954) 938-9353
E-MAIL: kmc@kmccpa.com

INDEPENDENT AUDITORS' REPORT TO TOWN MANAGEMENT

To the Honorable Mayor, Vice Mayor, Town Council Members and Town Administrator
Town of Southwest Ranches, Florida

We have audited the basic financial statements of Town of Southwest Ranches, Florida (the "Town"), as of and for the year ended September 30, 2006, and have issued our report thereon dated February 6, 2007.

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; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated February 6, 2007, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual financial audit report have been corrected except as noted in Section II of the Schedule of Findings and Recommendations.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. We noted certain matters that represent opportunities to strengthen the Town's internal controls and operating efficiencies which we have reported in the Schedule of Findings and Recommendations.

Town of Southwest Ranches, Florida

The Rules of the Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the basic financial statements); (4) failure to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters requiring disclosure in the management letter or the basic financial statements.


The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the basic financial statements. Town of Southwest Ranches, Florida was established by the State of Florida House Bill No. 1777 on June 6, 2000. The Town does not have any component units.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the Town for the fiscal year ended September 30, 2006, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2006.

As required by the Rules of the Auditor General (Section 10.554(h)6.c. and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information and use of Town Council members, management, Federal awarding agencies, the Office of the Auditor General of the State of Florida and other grantor and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
February 6, 2007

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2006

SECTION 1 CURRENT YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

2006-1 Capital Assets

During the testing of capital assets, it was noted that the Town does not perform an annual physical inventory of capital assets.

We recommend that periodic physical counts of property, especially removable equipment items, be taken and compared to the detailed capital asset subsidiary ledger. Affixing identifying tags with numbers as assigned in the subsidiary ledger will aid in making this comparison. The added controls will do the following:

- Assist in planning for capital expenditures.
- Help determine accurate amounts and values of insurable assets.
- Help detect the loss or unauthorized use of valuable Town property.

Management Response:

The Town is developing a Purchasing Procedures Manual this year. This will encompass the tagging and tracking of fixed assets and includes performing an annual physical inventory. This will provide the controls from purchase to verification of assets of the Town.

2006-2 Develop an Accounting Procedures Manual

We noted that the Town does not have an accounting procedures manual. Written procedures, instructions and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper and that records are produced in the form desired by management. A good accounting manual should aid in the training of new contracted employees and possibly allow for delegation to other employees of some accounting functions management performs.

We recognize that the preparation of the manual will be a very time-consuming task so that implementation may take several years. However, we believe that action should be taken by the Town to establish priorities and a timetable for the completion of the manual.

Management Response:

The development of the Town's Purchasing Procedures Manual this year will begin the process of developing an accounting manual. Many of the elements of a Purchasing Procedures Manual include the same tasks as an Accounting Procedures Manual. The major tasks of Town personnel include: Accounts Payable, Revenue Collection, Purchasing, Budgeting, Payroll Processing, Accounts Receivable, and Fixed Assets. The accounting manual will be started upon completion of the Purchasing Procedures Manual.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2006

**SECTION 1 CURRENT YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS
(continued)**

2006-3 Pooled Cash Account

The Town maintains a pooled cash account for all funds. Interest earned on pooled cash should be allocated monthly based upon equity balances of the respective funds. During our audit, we noted that only the General Fund earned interest during the year. We recommend that the pooled cash account be allocated monthly to the respective funds during the monthly bank account reconciliation.

Management Response:

The staff will identify and post interest income revenues to the respective funds on a monthly basis effective with the June 2007 bank reconciliation.

2006-4 Accounting Department Personnel and Segregation of Duties

With the complexity of the Town's operations and reporting requirements, we believe serious consideration should be given to adding a Finance Director with governmental accounting experience. This person would report directly to the Town administrator and would be in charge of financial reporting as well as the day-to-day supervision of accounting activities. This person could also be instrumental in designing internal controls and improving segregation of accounting department duties.

Management Response:

The Town Council has hired an experienced Finance Director to fill the position of Finance Administrator. This position was filled by the Town Council but the individual works directly with and receives direction from the Town Administrator on a daily basis. The Town Administrator's proposed revised organizational chart provides for one Finance Administrator and one Accounting Staff position. The design of the accounting internal controls and segregation of duties will be designed around this staffing level.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
 September 30, 2006

SECTION II PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

The following is a summary of the status of prior year findings and recommendations with the details directly below the summary:

	<u>Implemented</u>	<u>Not Implemented</u>
<u>Noncompliance:</u>		
2005-5 Budget Amendments	X	
2001-3 Expenditures Incurred over Appropriations		X
<u>Reportable Conditions:</u>		
2005-1 Significant Audit Adjustments		X
2005-2 Incorrect Bank Reconciliations		X
2005-3 Sales Tax Payable	X	
2005-4 Inventory of Trees	X	
2005-6 Missing Supporting Documentation for Debit Card Purchases	X	
2004-1 Out of Sequence Checks	X	
2004-2 Missing Supporting Documentation for Journal Entries		X
2004-3 Invoice Date Per Accounting System is Different than Actual Invoice Date	X	
2004-4 Individual Funds not in Balance	X	
<u>Other Matters:</u>		
2001-8 Investment of Surplus Funds		X
2001-9 Accounting Software	X	

2005-1 Significant Audit Adjustments

Condition:

While performing audit procedures, we noted that the Town erroneously recorded a significant number of transactions. These included, but are not limited to, improper recording of revenues and receivables, prior year audit adjustments, loan proceeds and repayments, inventory of trees, interfund transactions, accounts payable and expenditures, deposit reimbursements, etc.

Recommendation:

We recommend the Town record transactions in the accounting system to the proper accounts to reflect the actual activities of the Town throughout the year.

Status:

While the Town has attempted to correct this comment, we had significant audit adjustments for the year ending September 30, 2006. In addition to some adjustments already mentioned, these included, but were not limited to, grant revenues recorded in funds that were not budgeted to receive them, interfund short-term loans not being repaid and failure to remove an asset which had been sold. These adjustments significantly affected individual fund financial positions.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2006

SECTION II PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS
(continued)

2005-1 Significant Audit Adjustments (continued)

Management Response:

The Town has hired an experienced Finance Administrator as well as a part time Finance Director to assist the Town in analyzing the accounting records and correcting all items that were posted incorrectly or unrecorded. This work will be complete prior to September 30, 2007 and will eliminate the situation from reoccurring after fiscal year 2007. There will be many corrections made during fiscal year 2007 but this will improve the financial records that are provided to the external auditors for their review of the fiscal year 2007 audit.

2005-2 Incorrect Bank Reconciliations

Condition:

While performing procedures for cash, we noted that reconciled book balances per the bank reconciliations did not agree to cash balances per the general ledger. Furthermore, there were reconciling items in transit outstanding for more than six months that have not been addressed by the Town.

Recommendation:

We recommend the Town develop written policies and procedures over reconciling items outstanding for more than six months. In addition, steps should be taken to identify the reasons for the differences and corrective action taken as warranted. Town policies should dictate that monthly bank reconciliations are properly reconciled with the associated general ledger amount.

Status:

While the book balance per the bank reconciliation agreed to the cash balance per the general ledger, there were numerous reconciling items in suspense categories that have been outstanding for more than one year. In addition, we noted that a checking account that had been closed still carried a balance in the general ledger.

Management Response:

The closed checking account had a balance of \$ 2,179.00 and as of September 30, 2006, a journal entry was posted to correct this item. The Finance Administration has implemented procedures to document the monthly bank reconciliation with a review and approval process to ensure that all outstanding items are resolved in a timely manner.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2006

SECTION II PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS
(continued)

2004-2 Missing Supporting Documentation for Journal Entries

Condition:

During the audit we noted that management of the Town did not have available the documentation supporting the journal entries recorded during the year. The management of the Town does not maintain a paper copy of the journal entries that were prepared during the year. Journal entries are posted directly to the accounting system without keeping a hard copy of the entry. Therefore, the documentation supporting the journal entry is not attached and the signature of the person authorizing the transaction is not documented. In addition, there are several instances of journal entries with no description of the reason for the journal entry.

Recommendation:

We recommend that all journal entries be filed in chronological order with proper documentation supporting the entry attached.

Status:

We noted that the Town has not fully implemented this recommendation. While the Town was able to provide copies of journal entries, we did not find documentation supporting the journal entry to be attached, nor was there adequate descriptions of the reasons for the journal entry.

Management Response:

The Town Finance Administration has implemented a formal procedure for preparing, approving, posting and filing journal entries. This system was fully implemented as of May 30, 2007.

2001-3 Expenditures Incurred Over Appropriations

Condition:

In accordance with the 2001 Florida Statutes Title XII Chapter 166.241(3) and the Town Charter Section 3.09, a municipality's budget must regulate expenditures and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations. The Town's expenditures exceeded appropriations by approximately \$ 3.6 million in the General Fund.

Recommendation:

We recommend that the Town comply with the Florida Statutes regarding compliance with budgeted appropriations. If expenditures exceed appropriations, then the Town should amend the budget for supplemental appropriations by ordinance or resolution, as appropriate.

Status:

The Town has not implemented this recommendation. For the year ended September 30, 2006, the Town exceeded its budget at the Parks and Recreation Department level.

TOWN OF SOUTHWEST RANCHES, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
September 30, 2006

**SECTION II PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS
(continued)**

2001-3 Expenditures Incurred Over Appropriations (continued)

Management Response:

The over expenditure in the Parks and Recreation Department occurred because of a nonbudgeted item, which was not a receipt of or expenditure of funds. This was a revenue and expense of \$ 350,000 posted for a house donated to the Town. This required the recognition of revenue and expenditure in the year the donation was received. The annual budget was not amended to reflect this donated asset. Every attempt will be made to ensure that the budget is not over spent and that Council action is requested for additional appropriations to ensure that department level budgets are not exceeded.

2001-8 Investment of Surplus Funds

Condition:

During our testing of cash, we noted that the Town currently deposits a large amount of excess cash with a local bank, which currently provides the Town with 0.20% to 0.25% return on those deposits. There are other options permitted under Section 218.45 of the Florida Statutes for the investment of the Town's excess cash which could provide a higher return, with the same level of security and liquidity.

Recommendation:

The Town should review its current investment of excess cash and possible invest in other types of investments permitted under Section 218.35 of the Florida Statutes.

Status:

The Town's funds were all in one checking account earning 3.20% at September 30, 2006. Other options such as the State Board of Administration's Local Government Investment Pool which was earning 5.39% at September 30, 2006 should be considered.

Management Response:

The new Town Administration has already realized the need to improve the contractual arrangement for Town banking services and investment of surplus funds. Bids specifications for banks and investment services are being prepared for advertising by June 30, 2007. Town administration is reviewing two additional investment programs that are permitted under Section 218, Florida Statutes. These are the Florida State Board of Administration (SBA) Investment Pool and the Florida League of Cities Florida Municipal Investment Trust (FMIvT). Town Council will be requested to approve the formal banking and investment service contracts by July 31, 2007.

