

**SAN CARLOS ESTATES
WATER CONTROL DISTRICT
LEE COUNTY, FLORIDA
SPECIAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2006**

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
San Carlos Estates Water Control District
Lee County, Florida

We have audited the special purpose financial statements of San Carlos Estates Water Control District, as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of San Carlos Estates Water Control District'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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Carlos Estates Water Control District as of September 30, 2006, and its changes in financial position and results of its operations 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 June 14, 2007, on our consideration of San Carlos Estates Water Control District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The management's discussion and analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted 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.

June 14, 2007

MYERS, BRETT HOLTZ & COMPANY, PA

San Carlos Estates Water Control District
Management's Discussion and Analysis
September 30, 2006

As management of the San Carlos Estates Water Control District, we offer readers of the District's financial statement this narrative overview and analysis of the District's financial activities for the fiscal year ended September 30, 2006. Please note there is comparative information provided for fiscal year 2004-2005.

FINANCIAL HIGHLIGHTS

The District issued new debt in fiscal year 2006 in the amount of \$535,068 to pay for expenses associated with a capital improvement project to upgrade the District's drainage.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

Fund Financial Statements

The fund financial statements are used to ensure and demonstrate compliance with finance related legal requirements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

San Carlos Estates Water Control District
Management's Discussion and Analysis
September 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's liabilities exceeded its assets by \$1,062,424 at the fiscal year ended on September 30, 2006.

The District's capital assets represent investment in land.

The unrestricted category of net assets has a deficit balance of \$1,069,924 at year-end and is shown in the following schedule.

	Governmental Activities	
	2005	2006
Cash and Investments	\$ 9,426,161	\$ 5,384,747
Other Current Assets	39,591	12,273,764
Total Assets	9,465,752	17,658,511
Long term Liabilities	10,000,000	9,710,264
Other Liabilities	1,296,769	9,010,671
Total Liabilities	11,296,769	18,720,935
Net Assets		
Invested in Capital Assets	7,500	7,500
Unrestricted	(1,838,517)	(1,069,924)
Total Net Assets	\$ (1,831,017)	\$ (1,062,424)

At the end of the last fiscal year, the District had a negative fund balance. The District's net assets increased \$768,593 during the current fiscal year, lowering the fund (deficit) balance.

San Carlos Estates Water Control District
Management's Discussion and Analysis
September 30, 2006

Governmental activities.

As the District has no business-type activities, governmental activities were responsible increasing the District's net assets.

Change in Net Assets

	Governmental Activities	
	2005	2006
REVENUES		
Property Taxes	\$ 384,120	\$ 392,276
Capital Improvement Project - Phase I	-	6,415,905
Interest	67,203	311,905
Use and Connection Fees	12,230	150
Other	661	-
Total Revenues	<u>464,214</u>	<u>7,120,236</u>
EXPENDITURES		
General	454,652	212,521
Capital Improvement Project - Phase I	805,419	5,127,300
Capital Improvement Project - Phase II	-	535,749
Debt Service	<u>47,568</u>	<u>476,073</u>
Total Expenditures	<u>1,307,639</u>	<u>6,351,643</u>
Change in Net Assets	(843,425)	768,593
Net Assets - October 1, 2004 and 2005	<u>(987,592)</u>	<u>(1,831,017)</u>
Net Assets - September 30, 2005 and 2006	<u><u>\$(1,831,017)</u></u>	<u><u>\$(1,062,424)</u></u>

San Carlos Estates Water Control District
Management's Discussion and Analysis
September 30, 2006

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of liquid resources. Such information is useful in assessing the District's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the District's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$9,183,009.

The fund balance of the general fund increased \$1,012,526 during the current fiscal year.

General Fund Budgetary Highlights

An annual budget was legally adopted for the general fund and was amended once in 2006. Expenditures were under budget by \$1,122,876. Actual revenues exceeded budgeted revenues by \$1,012,526. Proceeds from permanent financing were included as revenue in the budget. However, under generally accepted accounting principles loan proceeds are not considered a source of revenue. As a result, the net assets of the district increased by \$768,593 during the year.

Fiscal Year 2005 Budget - General Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Revenues	\$10,461,765	\$10,465,714	\$ 3,949
Total Expenditures	<u>10,610,337</u>	<u>2,407,670</u>	<u>8,202,667</u>
Net Change in Fund Balance	<u>\$ (148,572)</u>	<u>\$ 8,058,044</u>	<u>\$8,206,616</u>

Fiscal Year 2006 Budget - General Fund

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Revenues	\$2,313,082	\$ 7,655,304	\$5,342,222
Total Expenditures	<u>7,765,654</u>	<u>6,642,778</u>	<u>1,122,876</u>
Net Change in Fund Balance	<u>\$(5,452,572)</u>	<u>\$ 1,012,526</u>	<u>\$6,465,098</u>

San Carlos Estates Water Control District
Management's Discussion and Analysis
September 30, 2006

CAPITAL ASSETS

At the end of fiscal year 2006, the district's investment in capital assets for its governmental activities was \$7,500. This investment in capital assets is land. There was no change in capital assets in fiscal year 2006.

LONG TERM DEBT

At the end of fiscal year 2006, the district had total long term debt in the amount of \$9,710,264, which consists of a note payable to pay for expenses associated with a capital improvement project to upgrade the district's drainage.

More detailed information about the district's long term debt can be found in Notes 7 and 8 on page 14 and 15 of this report.

ECONOMIC FACTORS

The District's Board of Supervisors approved a budget of \$7,285,123 for the 2006-2007 fiscal year. This is a 6.2% decrease over last fiscal year.

General Maintenance	\$ 660,915
Capital Improvement Project – Phase I	5,845,650
Capital Improvement Project – Phase II	<u>778,558</u>
Total 2006-2007 budget	<u>\$ 7,285,123</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the district's finances for the district's residents and creditors. Questions concerning this report or requests for additional financial information should be directed to:

Bud Lawson
San Carlos Estates Water Control District
PO Box 367807
Bonita Springs, FL 34135

SAN CARLOS ESTATES WATER CONTROL DISTRICT
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	General Fund	Adjustments (Note 3)	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 1,755,928	\$ -	\$ 1,755,928
Certificates of deposit	18,705	-	18,705
Investments	3,610,114	-	3,610,114
Interest receivable	26,685	-	26,685
Capital project - Phase I receivable	12,231,001	-	12,231,001
Property taxes receivable	2,470	-	2,470
Prepaid expenses	6,108	-	6,108
Capital asset not being depreciated:			
Land	7,500	-	7,500
Total assets	<u>\$ 17,658,511</u>	<u>-</u>	<u>17,658,511</u>
LIABILITIES			
Accounts payable	\$ 427,654	-	427,654
Deferred revenues	8,047,848	-	8,047,848
Lines of credit	-	535,169	535,169
Long-term liability:			
Due in less than one year	-	334,839	334,839
Due in more than one year	-	9,375,425	9,375,425
Total liabilities	8,475,502	10,245,433	18,720,935
FUND BALANCE/NET ASSETS			
Fund balance			
Unreserved	9,183,009	(9,183,009)	-
Total liabilities and fund balance	<u>\$ 17,658,511</u>		
Net Assets:			
Invested in capital assets, net of related debt		7,500	7,500
Unrestricted		(1,069,924)	(1,069,924)
Total net assets		<u>\$ (1,062,424)</u>	<u>\$ (1,062,424)</u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General Fund	Adjustments (Note 3)	Statement of Activities
REVENUES			
Property taxes	\$ 392,276	\$ -	\$ 392,276
Capital project - Phase I	6,415,905	-	6,415,905
Interest	311,905	-	311,905
Use and connection fees	150	-	150
Total revenues	<u>7,120,236</u>	<u>-</u>	<u>7,120,236</u>
EXPENDITURES/EXPENSES			
Current:			
General			
Administration	58,061	-	58,061
Auditor	6,224	-	6,224
Contingency	9,725	-	9,725
Ditches, culverts and road repair	(562)	-	(562)
Engineer	41,679	-	41,679
Grading	35,866	-	35,866
Insurance	7,752	-	7,752
Legal	12,566	-	12,566
Property appraiser	4,261	-	4,261
Tax collector commissions	5,249	-	5,249
Swale mowing	31,700	-	31,700
Capital improvement project - Phase I			
Administration	7,375	-	7,375
Construction	4,696,695	-	4,696,695
Engineer	405,225	-	405,225
Legal	16,701	-	16,701
Miscellaneous	1,304	-	1,304
Capital improvement project - Phase II			
Construction	486,256	-	486,256
Engineer	3,968	-	3,968
Legal	30,486	-	30,486
Other professional services	15,039	-	15,039
Debt service:			
Principal	291,135	(291,135)	-
Interest	476,073	-	476,073
Total expenditures/expenses	<u>6,642,778</u>	<u>(291,135)</u>	<u>6,351,643</u>
Excess of revenues over expenditures/expenses	477,458	291,135	768,593

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
OTHER FINANCING SOURCES			
Loan and line of credit proceeds	<u>535,068</u>	<u>(535,068)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	1,012,526	(1,012,526)	-
Change in net assets		768,593	768,593
Fund balance/net assets - October 1, 2005	<u>8,170,483</u>	<u>(10,001,500)</u>	<u>(1,831,017)</u>
Fund balance/net assets - September 30, 2006	<u>\$ 9,183,009</u>	<u>\$ (10,245,433)</u>	<u>\$ (1,062,424)</u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - DESCRIPTION

The San Carlos Estates Water Control District (the "District"), a local governmental unit, was created by Circuit Court Decree, 12th Judicial Circuit, dated April 3, 1969, to provide water control and drainage services to a certain prescribed area in Lee County, Florida. The District is funded primarily by taxes and is operated by a three-person Board of Supervisors (the "Supervisors").

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements conform to generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB") and other recognized authoritative sources. The more significant accounting policies are described below.

Reporting Entity

GASB requires funds and account groups of agencies, boards, and authorities that are controlled by, or are dependent on, the District to be included in its financial statements. In determining the agencies, boards, or authorities to be included in the annual financial report, the District considered the following criteria: oversight responsibility, including financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public services, and special financing relationships. Control by, or dependence on, the District has been determined and, as a result, no other agencies are included in the District's financial statements since the District exercises no manifestations of oversight, nor is any agency's activity for the benefit of the District.

Government-wide and Fund Financial Statements

The District has implemented GASB Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and related subsequent statements. These statements establish new financial reporting requirements for state and local governments throughout the United States.

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the District. 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 District does not currently have any business-type activities.

The District has one fund as follows:

General fund - The general fund is the principal fund used to account for all activities of the District.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured, and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District's 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.

The District's governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes and impact fees as available if they are collected within 60 days after year end. All other governmental fund revenues are recognized when received. Expenditures are generally recorded when obligations are incurred, or when benefits are received.

Cash and Investments

The Districts cash and cash equivalents are considered to be cash on hand, demand deposit, and short term investments with original maturities of 3 months or less from the date of acquisition.

At September 30, 2006, cash consisted of demand deposit accounts which are stated at cost. Cost approximates market value.

Investments can legally consist of repurchase agreements, US Government securities, certificates of deposit, and savings accounts. At September 30, 2006, investments consisted of money market accounts, certificates of deposit and a guaranteed investment contract which are stated at cost. Cost approximates market value.

All depositories are banks designated by the State Treasurer as qualified public depositories. As of September 30, 2006, these accounts were fully insured under Chapter 280 of the Florida Statutes.

As of September 30, 2006 the District was in compliance with Chapter 218.415 of the Florida Statutes regarding local government investment policies.

Accounts Receivable

Accounts receivable consisted of property taxes receivable. All accounts receivable are considered collectible; therefore no allowance for uncollectible accounts has been recorded.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The District capitalizes purchases of \$500 or more. Capital assets are recorded at cost. Expenditures for maintenance, repairs, and minor renewals are expensed as incurred. Major renewals and enhancements are capitalized.

Long-Term Liability

In the government-wide financial statements a note payable has been recorded, as more fully described in Note 8.

Estimates

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

NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet was adjusted to include the recognition of long-term liabilities. Net assets as of October 1, 2005, are reconciled as follows:

Fund balance - October 1, 2005	\$ 8,170,483
Reclassification of long-term liability	<u>(10,001,500)</u>
Net assets - October 1, 2005	<u><u>\$ (1,831,017)</u></u>

In addition, the excess of revenues and other financing sources over expenditures for the year ended September 30, 2006, is reconciled as follows:

Excess of revenues and other financing sources over expenditures	<u>\$ 1,012,526</u>
Reclassification of principal payments on long-term liability	291,135
Reclassification of loan and line of credit proceeds	<u>(535,068)</u>
Total adjustments	<u>(243,933)</u>
Change in net assets	<u><u>\$ 768,593</u></u>

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 4 - PROPERTY TAXES

All real and tangible personal property taxes are due and payable on November 1 of each year, or as soon thereafter as the tax roll is certified by the County Property Appraiser, and become delinquent on April 1 of the following year. The County Tax Collector mails to each property owner on the tax roll a notice of taxes levied by the various governmental entities in the County. A four percent discount is allowed if the taxes are paid in November, with the discount declining by one percent each month thereafter. Tax certificates for the full amount of any unpaid taxes and assessments must be sold no later than June 1 of each year at which time a lien attaches to the property.

At September 30, 2006, property taxes receivable were \$2,470.

NOTE 5 - INVESTMENTS

Unexpended proceeds from the note payable have been invested in a guaranteed investment contract. Cost of the investment approximates market.

NOTE 6 - UNEARNED REVENUES

During the year ended September 30, 2005, the District passed a special tax assessment to cover the cost of phase one of a capital improvement project. Property owners are being billed in installments for 20 years beginning in the current fiscal year. Each property owner's assessment is proportionate based on acreage. An estimate was made of the maximum cost of the project to be \$14,500,000. As of September 30, 2006, the costs incurred to date related to the phase one project were \$6,452,152. The remaining balance of the total project revenue of \$8,047,848 is recorded as deferred revenues on the governmental fund balance sheet/statement of net assets.

NOTE 7 - LINES OF CREDIT

On September 8, 2005, the District secured a line of credit with a maximum amount available of \$100,000 with a bank for general operating expenses. Interest on the line of credit is at a rate equal to the LIBOR rate plus 1.5%, and is payable monthly. The principal is due in full on September 1, 2007. At September 30, 2006, the balance due on the line of credit was \$101.

At September 30, 2006, the District was obligated under an unsecured line of credit with a maximum amount available of \$1,200,000 with a bank, established to provide interim financing for phase two of a capital improvement project. Interest on the line of credit is at a rate of 4.59%, and is payable monthly. The principal outstanding as of February 1, 2007 and accrued interest, shall be due and payable in equal semi-annual installments beginning on February 1, 2007 with the balance due on August 1, 2025. At September 30, 2006, the balance due on the line of credit was \$535,068.

NOTE 8 - LONG-TERM LIABILITY

On July 6, 2005, the District entered into a note payable with a bank to fund phase one of a capital improvement project. Under the terms of the note, payments of \$380,738 are due semi-annually beginning February 1, 2006 and ending August 1, 2025, based on an interest rate of 4.37% per annum. The note is collateralized by special assessments of the District.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 8 - LONG-TERM LIABILITY (Continued)

The future minimum payments due under the note payable as of September 30, 2006, are as follows:

Principal payments:	
2007	334,839
2008	348,722
2009	365,461
2010	381,833
2011-2015	2,180,531
2016-2020	2,714,478
2021-2025	3,384,400
Total principal	<u>9,710,264</u>
Interest payments:	
2007	426,637
2008	412,755
2009	396,016
2010	379,644
2011-2015	1,626,853
2016-2020	1,092,907
2021-2025	322,770
Total interest	<u>4,657,582</u>
Total payments	<u>\$ 14,367,846</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

SAN CARLOS ESTATES WATER CONTROL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Budget		Actual GAAP Basis	Adjustments to Budget Basis	Actual Budget Basis	Final Budget Favorable (Unfavorable)
	Original	Final				
REVENUES						
Property taxes	\$ 388,600	\$ 390,627	\$ 392,276	\$ -	\$ 392,276	\$ 1,649
Capital project - Phase I	1,543,334	1,233,805	6,415,905	-	6,415,905	5,182,100
Interest	500	270,550	311,905	-	311,905	41,355
Use and connection fees	13,200	150	150	-	150	-
Other	200	200	-	-	-	(200)
Total revenues	1,945,834	1,895,332	7,120,236	-	7,120,236	5,224,904
EXPENDITURES						
CURRENT						
General:						
Administration	71,000	66,225	58,061	-	58,061	8,164
Auditor	4,000	4,000	6,224	-	6,224	(2,224)
Canal cleaning	75,000	130,000	-	-	-	130,000
Contingency	93,500	97,975	9,725	-	9,725	88,250
Ditches, culverts and road repair	20,000	2,000	(562)	-	(562)	2,562
Engineer	35,000	35,000	41,679	-	41,679	(6,679)
Grading	55,000	12,302	35,866	-	35,866	(23,564)
Insurance	6,000	6,000	7,752	-	7,752	(1,752)
Legal	30,000	5,000	12,566	-	12,566	(7,566)
Miscellaneous	-	1,000	-	-	-	1,000
Other professional fees	-	6,500	-	-	-	6,500
Property appraiser	4,000	4,000	4,261	-	4,261	(261)
Tax collector commissions	10,500	5,402	5,249	-	5,249	153
Swale mowing	40,000	65,000	31,700	-	31,700	33,300
Total general	444,000	440,404	212,521	-	212,521	227,883
Capital improvement project - Phase I:						
Administration	-	105,000	7,375	-	7,375	97,625
Construction	9,500,000	5,600,000	4,696,695	-	4,696,695	903,305
Engineer	-	365,600	405,225	-	405,225	(39,625)
Legal	-	50,000	16,701	-	16,701	33,299
Miscellaneous	-	25,000	1,304	-	1,304	23,696
Total capital improvement project - Phase I	9,500,000	6,145,600	5,127,300	-	5,127,300	1,018,300

Capital improvement project - Phase II:						
	Budget	Actual	Adjustments	Actual	Actual	Final Budget
	Original	Final	to Budget	GAAP	Budget	Favorable
			Basis	Basis	Basis	(Unfavorable)
Administration	-	500	-	-	-	500
Construction	-	361,250	-	486,256	486,256	(125,006)
Engineer	-	5,000	-	3,968	3,968	1,032
Legal	-	30,000	-	30,486	30,486	(486)
Miscellaneous	-	1,000	-	-	-	1,000
Other professional services	-	16,000	-	15,039	15,039	961
Total capital improvement project - Phase II	-	413,750	-	535,749	535,749	(121,999)
Total current	9,944,000	6,999,754	-	5,875,570	5,875,570	1,124,184
LONG-TERM LIABILITIES						
Principal payments	1,543,334	289,658	291,135	-	291,135	(1,477)
Interest	-	476,242	-	476,073	476,073	169
Total long-term liabilities	1,543,334	765,900	291,135	476,073	767,208	(1,308)
Total expenditures	11,487,334	7,765,654	291,135	6,351,643	6,642,778	1,122,876
(Deficiency) excess of revenues over expenditures	(9,541,500)	(5,870,322)	(291,135)	768,593	477,458	6,347,780
OTHER FINANCING SOURCES						
Loan and revolving line of credit proceeds	9,500,000	417,750	535,068	-	535,068	117,318
(Deficiency) excess of revenues and other financing sources over expenditures	(41,500)	(5,452,572)	243,933	768,593	1,012,526	6,465,098
Fund balance - October 1, 2005	8,170,483	8,170,483	10,001,500	(1,831,017)	8,170,483	-
Fund balance - September 30, 2006	\$ 8,128,983	\$ 2,717,911	\$ 10,245,433	\$ (1,062,424)	\$ 9,183,009	\$ 6,465,098

Read Independent Auditor's Report.
The accompanying note is an integral part of this schedule.

SAN CARLOS ESTATES WATER CONTROL DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2006

NOTE 1 - BUDGETARY PROCESS AND REPORTING

The District prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the District's method (budget basis) in the Budgetary Comparison Schedule - General Fund to provide a meaningful comparison of actual results with the budget.

A budget has been adopted by the District for its general fund. Estimated beginning fund balance is considered in the budgetary process, but is not included in the financial statements as budgeted revenue. Differences between estimated beginning fund balance and actual fund balance, if material, are submitted to the Supervisors as budget amendments.

The annual budget serves as the legal authorization for expenditures. Expenditures cannot legally exceed the amount budgeted in the general fund's budget. All budget amendments which change the legally adopted total appropriation for the general fund are approved by the Supervisors.

If, during the fiscal year, additional revenues become available for appropriation in excess of those estimated in the budget, the District, by resolution, may make supplemental appropriations for the year up to the amount of such excess. In the current year additional revenues became available for appropriation in excess of those estimated in the original budget.



**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***

Board of Supervisors
San Carlos Estates Water Control District
Lee County, Florida

We have audited the financial statements of San Carlos Estates Water Control District as of and for the year ended September 30, 2006, and have issued our report thereon dated January 10, 2006. 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 San Carlos Estates Water Control District'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Carlos Estates Water Control District'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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Myers, Brettholtz & Company, PA

June 14, 2007

MYERS, BRETTTHOLTZ & COMPANY, PA



MANAGEMENT LETTER

Board of Supervisors
San Carlos Estates Water Control District
Lee County, Florida

In planning and performing our audit of the financial statements of San Carlos Estates Water Control District, as of and for the year ended September 30, 2006, (on which we have issued a report dated June 14, 2007), we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control structure. In connection therewith, we have issued our report on internal control over financial reporting and on compliance and other matters dated June 14, 2007.

Our comments and recommendations, including the status of prior year comments and recommendations, and the reporting requirements of the Auditor General, State of Florida, are presented under the following main captions:

- Status of Prior Year Comments
- Current Year Comments
- State Reporting Requirements

STATUS OF PRIOR YEAR COMMENTS

There were no comments in the prior year.

CURRENT YEAR COMMENTS

There are no comments in the current year.

STATE REPORTING REQUIREMENTS

The rules of the Auditor General, State of Florida, require that this report be filed with the Auditor General together with the audited financial statements.

In connection with our audit of the financial statements of San Carlos Estates Water Control District, pursuant to Chapter 10.550, the Rules of the Auditor General, State of Florida-Local Government Entity Audits, we report the following:

- San Carlos Estates Water Control District has taken corrective action to address the deteriorating financial condition disclosed in the prior year audit.

- San Carlos Estates Water Control District has met one of the conditions described in Section 518.503(1), Florida Statutes regarding whether it was in a state of financial emergency during the year ended September 30, 2006. The District met the condition described in Section 218.503(1)(e), Florida Statutes because the District's unrestricted net assets showed a deficit balance as of September 30, 2006. This is a result of securing financing for a capital improvement project prior to receiving the related income from a special tax assessment. The District will continue to meet this condition until all payments from the special tax assessment are received over the next twenty years and the loan is paid off.
- The financial report of San Carlos Estates Water Control District filed with the Florida Department of Financial Services, pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the financial statements for the year ended September 30, 2006.
- The San Carlos Estates Water Control District is a local governmental unit created by Circuit Court Decree, 12th Judicial Court, dated April 3, 1969, to provide water control and drainage services to a certain prescribed area in Lee County, Florida.
- San Carlos Estates Water Control District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.
- The scope of the audit of the San Carlos Estates Water Control District included the use of financial condition assessment procedures to detect deteriorating financial conditions pursuant to Section 218.503(1), Florida Statutes and Rule 10.556(7) of the Auditor General.
- During the course of our audit, other than matters that are clearly inconsequential considering both quantitative and qualitative factors, nothing came to our attention that caused us to believe that the District:
 - a. Was in violation of any laws, rules or regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, or were discovered within the scope of the audit.
 - b. Made any illegal or improper expenditures that were discovered within the scope of the audit that may materially affect the financial statements.
 - c. Had deficiencies in internal control that are reportable conditions including but not limited to:
 - (1) Improper or inadequate accounting procedures, except as reported in the accompanying schedule of findings.
 - (2) Failures to properly record financial transactions
 - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor.

This management letter is intended solely for the information and use of the Board of Supervisors, management, and the Auditor General, and is not intended to be, and should not be, used by anyone other than these specified parties.



June 14, 2007

MYERS, BRETT HOLTZ & COMPANY, PA