

**Bay Creek Community
Development District**

September 30, 2004

Bay Creek Community Development District
ANNUAL FINANCIAL REPORT
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Fiscal Year Ended September 30, 2004

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Report of Independent Certified Public Accountants

To the Board of Supervisors
Bay Creek Community Development District
Lee County, Florida

We have audited the accompanying basic financial statements of Bay Creek Community Development District (the "District") as of and for the year ended September 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2004, and the results of its operations and the cash flows of its enterprise fund 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 a report dated December 8, 2004 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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.



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

To the Board of Supervisors
Bay Creek Community Development District

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The combining and individual fund statements described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

December 8, 2004

**Bay Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2004**

Management's discussion and analysis of Bay Creek Community Development District (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements. Because this is the first year of implementation of GASB 34 and the prior period financial information has not been restated, a comparative analysis of government-wide data will be presented in future years. During the current year comparative data will be presented using total governmental funds and total enterprise funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to the financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to the financial statements* provide additional information concerning the District's finances that are not disclosed in the Government-wide or Fund financial statements.

The *Government-wide financial statements* are the **statement of net assets** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities and the change in net assets. Governmental activities are primarily supported by property taxes. Business-type activities are supported by charges to the users of those activities, such as irrigation service charges.

The **statement of net assets** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net assets. Net assets are reported in three categories; 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Assets, liabilities, and net assets are reported for all Governmental activities separate from the assets, liabilities, and net assets of business-type activities.

The **statement of activities** presents information on all revenues and expenses of the District and the change in net assets. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities or business-type activities. Governmental activities financed by the District include general government, physical environment, transportation and debt service. Business-type activities financed by user charges include irrigation services.

Fund financial statements present financial information for governmental funds and enterprise funds. These statements provide financial information for the major and other governmental funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources. The irrigation fund financial statements provide information on all assets and liabilities of the fund, changes in the economic resources (revenues and expenses), and total economic resources.

**Bay Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2004**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual**, is provided for the District's General Fund. For the irrigation fund, a **statement of net assets**, a **statement of revenues, expenses, and changes in net assets**; and a **statement of cash flows** are presented. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The government-wide financial statements provide an overall picture of the District's financial standing, split between Governmental Activities and Business-type Activities. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including buildings, land, roads, bridges, and traffic signals are reported in the **statement of net assets**. All liabilities, including principal outstanding on bonds, and future employee benefits obligated but not paid by the District, are included. The **statement of activities** includes depreciation on all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District and a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to the financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, long term debt, and pension plans are some of the items included in the *notes to the financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 2004.

- ◆ The District's total assets exceeded total liabilities by \$2,277,225 (net assets). Unrestricted net assets for Governmental Activities were \$227,173 and for Business-type activity was \$313,378. Governmental activities restricted net assets were \$633,967.
- ◆ Governmental activities revenues totaled \$611,012 while governmental activities expenses totaled \$728,945. Business-type revenues totaled \$87,104 while business-type expenses totaled \$95,483.

**Bay Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2004**

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and fund balances/net assets of the District and is presented at the fund level for comparison purposes. It is not intended to be a complete presentation of government-wide financial activity.

Fund Balances / Net Assets

	<u>Governmental Funds</u>		<u>Irrigation Fund</u>		<u>Total</u>		<u>Percent Change</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	
Current Assets	\$ 125,359	\$ 107,023	\$ 438,456	\$ 414,409	\$ 563,815	\$ 521,432	8.1 %
Restricted Assets	634,600	644,293	-	-	634,600	644,293	(1.5)%
Capital Assets	-	-	387,429	399,583	387,429	399,583	(3.0)%
Total Assets	759,959	751,316	825,885	813,992	1,585,844	1,565,308	1.3 %
Current Liabilities	68,648	65,776	321,995	301,971	390,643	367,747	6.2 %
Non-Current Liabilities	-	-	248	-	248	-	100.0 %
Total Liabilities	68,648	65,776	322,243	301,971	390,891	367,747	6.3 %
Net assets							
Investment in capital assets, net related debt	-	-	190,264	202,418	190,264	202,418	(6.0)%
Restricted	633,967	644,293	-	-	633,967	644,293	(1.6)%
Unrestricted	57,344	41,247	313,378	309,603	370,722	350,850	5.7 %
Total Net Assets	691,311	685,540	503,642	512,021	1,194,953	1,197,561	(0.2)%

**Bay Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2004**

Financial Analysis of the District (continued)

The following schedule provides a summary of the changes in fund balances/net assets of the District and is presented at the fund level for comparison purposes. It is not intended to be a complete presentation of District-wide financial activity.

	Financial Activity						Percent Change
	Governmental Funds		Irrigation System Fund		Total		
	2004	2003	2004	2003	2004	2003	
<u>Proprietary Revenue</u>							
Charges for Service	\$ -	\$ -	\$ 79,558	\$ 85,662	\$ 79,558	\$ 85,662	(7.1)%
Non-Operating Revenue	-	-	7,546	6,880	7,546	6,880	9.7%
<u>Governmental Revenue</u>							
<u>Special Assessments</u>							
General	387,459	357,396	-	-	387,459	357,396	8.4%
Debt	215,002	217,840	-	-	215,002	217,840	(1.3)%
Investment Income	7,738	44,281	-	-	7,738	44,281	(82.5)%
Other Revenue	7,087	4,379	-	-	7,087	4,379	61.8%
Total Revenue	617,286	623,896	87,104	92,542	704,390	716,438	(1.7)%
<u>Expenses</u>							
General Government	56,258	50,616	-	-	56,258	50,616	11.1%
Physical Environment	341,029	242,646	-	-	341,029	242,646	40.5%
Capital Outlay	21,650	3,427	-	-	21,650	3,427	531.7%
Debt Service/Interest	205,229	227,107	14,229	14,229	219,458	241,336	(9.1)%
General & Administrative	-	-	69,100	90,978	69,100	90,978	(24.0)%
Depreciation	-	-	12,154	12,154	12,154	12,154	0.0%
Total Expenses	624,166	523,796	95,483	117,361	719,649	641,157	12.2%
Increase (decrease) in Fund Balances/Net Assets	<u>\$ (6,880)</u>	<u>\$ 100,100</u>	<u>\$ (8,379)</u>	<u>\$ (24,819)</u>	<u>\$ (15,259)</u>	<u>\$ 75,281</u>	<u>(120.3)%</u>

The decrease in investment income is caused by unrealized gains in the prior period. There were no unrealized gains in the current fiscal year.

The increase in physical environment expense is caused by increase payroll and plant replacement costs.

The increase in capital outlay is caused by the purchase of equipment in the current fiscal year.

The decrease in general government and general and administrative costs is caused by reduced management and accounting fees.

**Bay Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2004**

Financial Analysis of the District (continued)

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statement of changes in net assets for the year ended September 30, 2004.

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General Revenue			
Charges for services	\$ 602,461	\$ 79,558	\$ 682,019
Investment Income	7,738	4,186	11,924
Other Revenue	7,087	3,360	10,447
Total Revenue	<u>617,286</u>	<u>87,104</u>	<u>704,390</u>
Expenses			
General government	56,258	-	56,258
Physical environment	559,093	-	559,093
Irrigation services	-	95,483	95,483
Debt service/interest	113,594	-	113,594
Total Expenses	<u>728,945</u>	<u>95,483</u>	<u>824,428</u>
Changes in Net Assets	<u>\$(111,659)</u>	<u>\$(8,379)</u>	<u>\$(120,038)</u>

Governmental activities decreased the District's net assets by \$111,659. Business-type activities decreased the District's net assets by \$8,379.

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity as of September 30, 2004.

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land and improvements	\$ 583,418	\$ -	\$ 583,418
Building and improvements	1,325,262	-	1,325,262
Infrastructure	2,308,453	475,295	2,783,748
Equipment and furniture	44,735	-	44,735
Accumulated depreciation	<u>(1,718,194)</u>	<u>(87,866)</u>	<u>(1,806,060)</u>
Total Capital Assets (Net)	<u>\$ 2,543,674</u>	<u>\$ 387,429</u>	<u>\$ 2,931,103</u>

**Bay Creek Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2004**

General Fund Budgetary Highlights

Physical environment and capital outlay expenditures exceeded the budget because of costs that were not budgeted for.

There were no amendments to the September 30, 2004 budget even though the actual expenditures exceeded the budget in the general fund.

Debt Management

Governmental Activities debt includes the following:

- ◆ In November 1996, the District issued \$5,000,000 Series 1996 Capital Improvement Revenue Bonds. These bonds were issued to fund the construction and installation of certain master infrastructure improvements. The balance outstanding at September 30, 2004 is \$1,620,000.

Economic Factors and Next Year's Budget

Bay Creek Community Development District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2005.

Request for Information

The financial report is designed to provide a general overview of St. Lucie West Services District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Bay Creek Community Development District, Severn Trent Environmental Services, Inc., 210 North University Drive, Suite 702, Coral Springs, Florida 33071.

Bay Creek Community Development District
STATEMENT OF NET ASSETS
September 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Equivalents	\$ 121,741	\$ 436,316	\$ 558,057
Prepaid expenses	3,125	-	3,125
Accounts receivable	123	2,140	2,263
Due from other governments	370	-	370
Total Current Assets	<u>125,359</u>	<u>438,456</u>	<u>563,815</u>
Non-Current Assets			
Restricted assets:			
Investments - debt service	251,294	-	251,294
Investments - capital projects	382,285	-	382,285
Interest receivable - debt service	218	-	218
Interest receivable - capital projects	448	-	448
Bond issuance costs, net	198,708	-	198,708
Capital Assets:			
Land and improvements not being depreciated	583,418	-	583,418
Buildings and improvements	1,325,262	-	1,325,262
Infrastructure	2,308,453	475,295	2,783,748
Equipment	44,735	-	44,735
Less: Accumulated Depreciation	(1,718,194)	(87,866)	(1,806,060)
Total Non-Current Assets	<u>3,376,627</u>	<u>387,429</u>	<u>3,764,056</u>
Total Assets	<u>3,501,986</u>	<u>825,885</u>	<u>4,327,871</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	18,668	2,976	21,644
Due to developer	49,625	197,165	246,790
Customer deposits	-	14,740	14,740
Accrued interest	19,618	107,114	126,732
Bonds and capital leases	92,973	-	92,973
Total Current Liabilities	<u>180,884</u>	<u>321,995</u>	<u>502,879</u>
Non-Current Liabilities			
Bonds, capital leases, and other	1,538,258	-	1,538,258
Compensated absences	9,261	248	9,509
Total Non-Current Liabilities	<u>1,547,519</u>	<u>248</u>	<u>1,547,767</u>
Total Liabilities	<u>1,728,403</u>	<u>322,243</u>	<u>2,050,646</u>
NET ASSETS			
Invested in capital assets, net of related debt	912,443	387,429	1,299,872
Restricted for:			
Capital projects	382,634	-	382,634
Debt service	251,333	-	251,333
Unrestricted	227,173	116,213	343,386
Total Net Assets	<u>\$ 1,773,583</u>	<u>\$ 503,642</u>	<u>\$ 2,277,225</u>

See accompanying notes

Bay Creek Community Development District
STATEMENT OF ACTIVITIES
 For the Year Ended September 30, 2004

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contribution	Governmental Activities	Business-type Activities	Total
Governmental Activities						
General government	\$ 56,258	\$ 66,421	\$ -	\$ 10,163	\$ -	\$ 10,163
Physical environment	559,093	321,038	-	(238,055)	-	(238,055)
Interest on long-term debt	113,594	215,002	-	101,408	-	101,408
Total Governmental Activities	<u>728,945</u>	<u>602,461</u>	<u>-</u>	<u>(126,484)</u>	<u>-</u>	<u>(126,484)</u>
Business-type activities						
Irrigation services	95,483	79,558	-	-	(15,925)	(15,925)
Total Business-type Activities	<u>95,483</u>	<u>79,558</u>	<u>-</u>	<u>-</u>	<u>(15,925)</u>	<u>(15,925)</u>
Total Primary Government	<u>\$ 824,428</u>	<u>\$ 682,019</u>	<u>\$ -</u>	<u>(126,484)</u>	<u>(15,925)</u>	<u>(142,409)</u>
General revenues:						
Investment earnings				7,738	4,186	11,924
Miscellaneous				7,087	3,360	10,447
Total general revenues and special items				<u>14,825</u>	<u>7,546</u>	<u>22,371</u>
Change in Net Assets				(111,659)	(8,379)	(120,038)
Net Assets - October 1, 2003				1,885,242	512,021	2,397,263
Net Assets - September 30, 2004				<u>\$ 1,773,583</u>	<u>\$ 503,642</u>	<u>\$ 2,277,225</u>

See accompanying notes

Bay Creek Community Development District
BALANCE SHEET
 Governmental Funds
 September 30, 2004

	General	1996 Debt Service	Uninsured Assets	Total Governmental Funds
ASSETS				
Cash	\$ 121,741	-	-	\$ 121,741
Accounts receivable	123	-	-	123
Prepaid expenses	3,125	-	-	3,125
Due from other governments	370	-	-	370
Restricted assets:				
Due from other funds	-	355	-	355
Investments, at fair value	-	251,294	382,285	633,579
Interest receivable	-	218	448	666
Total Assets	\$ 125,359	\$ 251,867	\$ 382,733	\$ 759,959
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 18,035	\$ 534	\$ 99	\$ 18,668
Due to developer	49,625	-	-	49,625
Due to other funds	355	-	-	355
Total Liabilities	68,015	534	99	68,648
FUND BALANCES				
Reserved for debt service	-	251,333	-	251,333
Reserved for capital projects	-	-	382,634	382,634
Unreserved and undesignated	57,344	-	-	57,344
Total Fund Balances	57,344	251,333	382,634	691,311
Total Liabilities and Fund Balances	\$ 125,359	\$ 251,867	\$ 382,733	\$ 759,959

See accompanying notes

Bay Creek Community Development District
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**
 September 30, 2004

Total Governmental Fund Balances	\$	691,311
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets not being depreciated (land and improvements \$583,418) used in governmental activities are not financial resources and therefore, are not reported in the funds.		583,418
Capital assets being depreciated (building and improvements \$1,325,262, infrastructure \$2,308,453, equipment and machinery \$44,735, and accumulated depreciation \$(1,718,194)) used in governmental activities are not financial resources and therefore, are not reported in the funds.		1,960,256
Bond issuance costs being amortized (assets \$323,722 and amortization \$(125,014)) used in governmental activities are not financial resources and therefore, are not reported in the funds.		198,708
Long-term liabilities, including bonds payable \$(1,620,000), accrued compensated absences \$(9,261), and capital leases \$(11,231) are not due and payable in the current period and therefore, are not reported in the funds.		(1,640,492)
Accrued interest expense for general long-term debt is not a financial use and therefore, is not reported in the funds.		(19,618)
Net Assets of Governmental Activities	<u>\$</u>	<u>1,773,583</u>

See accompanying notes

Bay Creek Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2004

	General	1996 Debt Service	Uninsured Assets	Total Governmental Funds
Revenues				
Special assessments	\$ 387,459	\$ 215,002	\$ -	\$ 602,461
Investment earnings	2,239	1,680	3,819	7,738
Other revenue	7,087	-	-	7,087
Total Revenues	<u>396,785</u>	<u>216,682</u>	<u>3,819</u>	<u>617,286</u>
Expenditures				
Current				
General government	28,879	22,745	4,634	56,258
Physical environment	341,029	-	-	341,029
Capital outlay	21,650	-	-	21,650
Debt service				
Principal	1,420	105,000	-	106,420
Interest	361	98,448	-	98,809
Total Expenditures	<u>393,339</u>	<u>226,193</u>	<u>4,634</u>	<u>624,166</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>3,446</u>	<u>(9,511)</u>	<u>(815)</u>	<u>(6,880)</u>
Other financing sources (uses)				
Proceeds from capital lease	12,651	-	-	12,651
Total other financing sources (uses)	<u>12,651</u>	<u>-</u>	<u>-</u>	<u>12,651</u>
Excess (deficiency) of revenues and other sources over expenditures and other financing uses	16,097	(9,511)	(815)	5,771
Fund Balances - October 1, 2003	<u>41,247</u>	<u>260,844</u>	<u>383,449</u>	<u>685,540</u>
Fund Balances - September 30, 2004	<u>\$ 57,344</u>	<u>\$ 251,333</u>	<u>\$ 382,634</u>	<u>\$ 691,311</u>

See accompanying notes

Bay Creek Community Development District
**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, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 5,771

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 allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay \$21,650 was exceeded by depreciation \$(216,617) in the current period. (194,967)

Bond issuance costs are reported as expenditures when paid in governmental funds. In the statement of activities these costs are allocated over their useful lives and reported as amortization expense. (15,791)

Repayment of bond principal \$105,000, and capital lease principal \$1,420 is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 106,420

Lease proceeds were received for the acquisition of capital assets. The lease proceeds of \$(12,651) are reflected in the Statement of Revenues, Expenditures and Changes in Fund Balance as an other financing source. (12,651)

Compensated absences reported in Statement of Activities, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. This is the change in accrued compensated absences from September 30, 2003 to September 30, 2004. (1,447)

In the statement of activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the change in interest from September 30, 2003 to September 30, 2004. 1,006

Change in Net Assets of Governmental Activities \$ (111,659)

See accompanying notes

Bay Creek Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Special assessments	\$ 395,959	\$ 395,959	\$ 387,459	\$ (8,500)
Investment earnings	1,500	1,500	2,239	739
Other revenue	-	-	7,087	7,087
Total Revenues	<u>397,459</u>	<u>397,459</u>	<u>396,785</u>	<u>(674)</u>
Expenditures				
Current				
General government	67,032	67,032	28,879	38,153
Physical environment	323,992	323,992	341,029	(17,037)
Capital outlay	6,435	6,435	21,650	(15,215)
Principal expense	-	-	1,420	(1,420)
Interest expense	-	-	361	(361)
Total Expenditures	<u>397,459</u>	<u>397,459</u>	<u>393,339</u>	<u>4,120</u>
Excess of revenues over expenditures before other financing sources (uses)	-	-	3,446	3,446
Other financing sources (uses)				
Proceeds from capital lease	-	-	12,651	12,651
Excess of revenues over Expenditures	-	-	16,097	16,097
Fund Balances - October 1, 2003	-	-	41,247	41,247
Fund Balances - September 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,344</u>	<u>\$ 57,344</u>

See accompanying notes

Bay Creek Community Development District
STATEMENT OF NET ASSETS
IRRIGATION SYSTEM FUND
September 30, 2004

ASSETS

Cash	\$	436,316
Interest receivable		498
Accounts receivable		1,642
Infrastructure		475,295
Accumulated depreciation		<u>(87,866)</u>
Total Assets		<u>825,885</u>

LIABILITIES

Current liabilities		
Accounts payable and accrued expenses		2,976
Due to developer		197,165
Customer deposits		14,740
Accrued interest payable		<u>107,114</u>
Total Current Liabilities		321,995
Non-current Liabilities		
Accrued compensated absences		<u>248</u>
Total Liabilities		<u>322,243</u>

NET ASSETS

Investment in capital assets, net of related debt		387,429
Unrestricted		<u>116,213</u>
Total Net Assets	\$	<u><u>503,642</u></u>

See accompanying notes

Bay Creek Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
IRRIGATION SYSTEM FUND
For the Year Ended September 30, 2004

Revenues	
Meter fee	\$ 500
Irrigation revenue	79,058
Total Revenues	79,558
Expenses	
Professional fees	18,159
Administrative services	11,622
Field management	4,662
Irrigation services	34,657
Depreciation	12,154
Total Expenses	81,254
Operating Income	(1,696)
Nonoperating Revenue (Expenses)	
Other income	3,360
Interest expense	(14,229)
Interest earnings	4,186
Total Other Financing Sources (Uses)	(6,683)
Net Loss	(8,379)
Net Assets - October 1, 2003	512,021
Net Assets - September 30, 2004	\$ 503,642

See accompanying notes

Bay Creek Community Development District
STATEMENT OF CASH FLOWS
IRRIGATION SYSTEM FUND
For the Year Ended September 30, 2004

Cash Flows from Operating Activities

Cash received from customers	\$ 80,587
Cash paid to suppliers	(54,145)
Cash paid to employees	(8,913)
Net Cash Provided by Operating Activities	17,529

Cash Flows from Internal Activity

Cash received from other funds	40
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Cash Flows from Capital and Related Financing Activities

Connection fees	3,360
-----------------	-------

Cash Flows from Investing Activities

Interest income received	3,688
	3,688

Net Increase in Cash and Cash Equivalents	24,617
---	--------

Cash and Cash Equivalents, October 1, 2003	411,699
	411,699

Cash and Cash Equivalents, September 30, 2004	\$ 436,316
	436,316

Reconciliation of Net Operating (Loss) to Net Cash Provided by Operating Activities

Cash Flows from Operating Activities

Operating loss	\$ (1,696)
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Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation	12,154
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Changes in Assets and Liabilities

Decrease in accounts receivable	1,028
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Increase in accounts payable	2,824
------------------------------	-------

Increase in accrued compensated absences	248
--	-----

Increase in deposits	2,971
	2,971

Total Adjustments	19,225
	19,225

Net Cash Provided by Operating Activities	\$ 17,529
	17,529

See accompanying notes

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE A – SUMMARY OF ACCOUNTING POLICIES

The financial statements of Bay Creek Community Development District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

The District was created on November 7, 1993 by the Lee County Board of County Commissioners pursuant to Lee County Ordinance Number 93-33 and the provisions of Chapter 190.005 of the Florida Statutes. The District was established for the purpose of financing and managing the planning, acquisition, construction, maintenance and operation or funding of a portion of the public capital infrastructure necessary for community development. The District is governed by a five-member Board of Supervisors, who are elected on a rotating basis for four years terms.

As required by GAAP, these financial statements present the Bay Creek Community Development District (the primary government) as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility including, but not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth in Governmental Accounting Standards Board Statement Number 14, the financial reporting entity, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include separate columns for the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements (Continued)

Governmental activities which normally are supported by property taxes, special assessments, rents and interest, are reported separately from business-type activities. Program revenues include charges for services, special assessments and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financial source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Governmental Funds

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Enterprise Funds

In the fund financial statements, the enterprise fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, enterprise funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The District applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with, or contradict, GASB pronouncements.

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Enterprise Funds (Continued)

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as other financing sources.

Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

3. Basis of Presentation

a. Governmental Major Funds

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

1996 Debt Service Fund – Accounts for debt service requirements to retire the special assessment bonds which were used to finance the construction of District infrastructure improvements. The bond series is secured by a pledge of all available special assessment revenues in any fiscal year related to the improvements and a first lien on the special assessment revenues from the District lien on all acreage of benefited land.

Uninsured Assets Fund – The Uninsured Assets Fund accounts for construction and replacement of infrastructure improvements within the boundaries of the district.

b. Enterprise Major Fund

Irrigation Fund – The Water and Sewer Fund accounts for the operations of the water and sewer plant, which are funded by proceeds from operations of these facilities, including user fees, meter fees and connection fees.

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

c. Non-current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds, due to developer and accrued compensated absences be reported in the governmental activities column in the government-wide statement of net assets.

4. Assets, Liabilities, and Net Assets or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Florida Statute 218.415. The authorized investments consist of:

1. Negotiable direct or indirect obligations which are secured by the United States Government;
2. The Local Government Surplus Funds Trust as created by Florida Statute 218.415;
3. Interest-bearing time deposits or savings accounts in authorized financial institutions;
4. Obligations guaranteed by the Government National Mortgage Association or similarly structured and secured associations or corporations.

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances".

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Assets or Equity (Continued)

c. Restricted Assets

Certain net assets of the District are classified as restricted assets on the statement of net assets because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net assets and then from unrestricted net assets.

d. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column.

The District defines capital assets as assets with an initial, individual cost of \$750 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	7-39 years
Improvements other than buildings	20-40 years
Machinery and equipment	5-10 years

e. Capitalization of Interest

Interest costs related to bond issues are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the District did not have any capitalized interest.

f. Unamortized Bond Costs

Bond issuance costs and legal fees associated with the issuance of bonds are amortized over the life of the bonds using the effective interest rate method of accounting.

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
 September 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Assets or Equity (Continued)

g. Accrued Compensated Absences

The District accrued unused portions of vacation pay in the period the fund liability is incurred.

Even though the District has accumulated and earmarked expendable available fund resources for these amounts, the portion not normally expected to be liquidated with expendable available financial resources is not reported as a fund liability (in accordance with Interpretation No. 6 of the Governmental Accounting Standards Board – Recognition and Measurement of Certain Liabilities and Expenditures) in the governmental fund financial statements.

h. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Section 200.065 of the Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget columns of the accompanying financial statements may occur.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

“Total fund balances” of the District’s governmental funds \$691,311 differs from “net assets” of governmental activities \$1,773,583 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below.

Capital related items

When capital assets (property, plant and equipment that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 4,261,868
Accumulated depreciation	<u>(1,718,194)</u>
Total	<u>\$ 2,543,674</u>

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Continued)

Bond issuance costs

When intangible assets (legal fees, trustee fees, and other bond related costs are to be used in governmental activities) are expended, the cost of those assets is reported as expenditures in governmental funds. However, the statement of net assets includes those intangible assets of the District as a whole.

Bond issuance costs	\$ 323,722
Accumulated amortization	(125,014)
Total	<u>\$ 198,708</u>

Long-term debt transactions

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2004 were:

Bonds payable	\$(1,620,000)
Accrued compensated absences	(9,261)
Capital leases	<u>(11,231)</u>
Total	<u>\$ (1,640,492)</u>

Accrued interest

Accrued liabilities in the statement of net assets differ from the amount reported in governmental funds due to accrued interest on bonds.

Bond interest payable	<u>\$ (19,618)</u>
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2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" for government funds \$5,771 differs from the "change in net assets" for governmental activities \$(111,659) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

**2. Explanation of Differences Between the Governmental Fund Operating Statements
and the Statement of Activities (Continued)**

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 21,650
Depreciation expense	<u>(216,617)</u>
Difference	<u>\$ (194,967)</u>

Bond issuance costs

When bond issuance costs used in governmental activities are expended, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as amortization costs. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of amortization expense charged for the year.

Amortization expense	<u>\$ (15,791)</u>
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Long-term debt transactions

Repayments of bond principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. Principal payments reduce the liabilities in the Statement of Net Assets, but do not result in an expense in the Statement of Activities.

Bonds principal payments	\$ 105,000
Capital lease payments	<u>1,420</u>
Total	<u>\$ 106,420</u>

In the Statement of Activities, capital lease proceeds increase long-term liabilities. However in the governmental funds, capital lease proceeds are treated as other financing sources since they provide current financial resources to governmental funds.

Lease proceeds	<u>\$ (12,651)</u>
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Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

**NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

**2. Explanation of Differences Between the Governmental Fund Operating Statements
and the Statement of Activities (Continued)**

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Increase in accrued compensated absences	\$(1,447)
Net change in accrued bonds interest payable	<u>1,006</u>
Total	<u>\$ (441)</u>

NOTE C – CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and equivalents. The carrying amount of these deposits at September 30, 2004 was \$558,056 and the bank balance was \$578,588. The deposits are insured by federal depository insurance or collateralized under the provisions of Chapter 280, Florida Statutes.

The District's investments are categorized as follows to provide an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or securities held by the District or its agents in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department but not in the District's name. The investments in the Money Market Treasury Funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

	Category	Fair Value
Money Market Treasury Funds	-	\$ 633,579

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE D – CHANGES IN FIXED ASSETS

Capital Asset activity for the year ended September 30, 2004 was as follows:

<u>Governmental Activities</u>	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and Improvements	\$ 583,418	\$ -	\$ -	\$ 583,418
Total capital assets, not depreciated	<u>583,418</u>	<u>-</u>	<u>-</u>	<u>583,418</u>
Capital assets, being depreciated:				
Building and improvements	1,322,556	2,706	-	1,325,262
Infrastructure	2,308,453	-	-	2,308,453
Equipment	25,791	18,944	-	44,735
Total capital assets, being depreciated	<u>3,656,800</u>	<u>21,650</u>	<u>-</u>	<u>3,678,450</u>
Less accumulated depreciation for:				
Building and improvements	(934,354)	(132,323)	-	(1,066,677)
Infrastructure	(558,833)	(81,253)	-	(640,086)
Equipment	(8,390)	(3,041)	-	(11,431)
Total accumulated depreciation	<u>(1,501,577)</u>	<u>(216,617)</u>	<u>-</u>	<u>(1,718,194)</u>
Total capital assets depreciated, net	<u>2,155,223</u>	<u>(194,967)</u>	<u>-</u>	<u>1,960,256</u>
Governmental Activities capital assets	<u>\$ 2,738,641</u>	<u>\$ (194,967)</u>	<u>\$ -</u>	<u>\$ 2,543,674</u>

Depreciation expense in the amount of \$216,617 is charged to physical environment.

Capital assets are restated at October 1, 2003. An analysis of improvements indicated that it was necessary to remove \$1,970,808 from the subsidiary ledger; consequently, the beginning balance has been restated from \$4,705,749 to \$2,734,941.

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE D – CHANGES IN FIXED ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Capital assets, being depreciated:				
Irrigation system	\$ 475,295	\$	\$	\$ 475,295
Total capital assets, being depreciated	<u>475,295</u>	<u>-</u>	<u>-</u>	<u>475,295</u>
Less accumulated depreciation for:				
Irrigation system	(75,712)	(12,154)	-	(87,866)
Total accumulated depreciation	<u>(75,712)</u>	<u>(12,154)</u>	<u>-</u>	<u>(87,866)</u>
Total capital assets depreciated, net	<u>\$ 399,583</u>	<u>\$ (12,154)</u>	<u>\$</u>	<u>\$ 387,429</u>

NOTE E – LONG-TERM DEBT

Governmental Activities

The following is a summary of the activity of the long-term debt of the District for the year ended September 30, 2004:

Long-term debt at October 1, 2003	\$ 1,732,814
Proceeds from new capital leases	12,651
Lease principal payments	(1,420)
Net increase in accrued compensated absences	1,447
Principal payments	<u>(105,000)</u>
Long-term debt at September 30, 2004	<u>\$ 1,640,492</u>

Long-term debt is comprised of the following:

Revenue Bonds

Special Assessment Revenue Bonds, Series 1996, interest at 4.1 to 6.0% maturing through May 1, 2017.	\$1,620,000
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Capital Leases

Kawasaki Mule 550 ATV capital lease, valued at \$12,651, maturing March 2008.	11,231
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Compensated absences

Accrued compensated absences	<u>9,261</u>
Total general long-term debt	<u>\$1,640,492</u>

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE E – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the principal and interest of long-term debt outstanding as of September 30, 2004 are as follows:

Year Ending September 30,	Special Assessment Bonds		Capital Lease Principal	Total Payments	
	Principal	Interest		Principal	Interest
2005	\$ 90,000	\$ 93,545	\$ 2,973	\$ 92,973	\$ 93,545
2006	90,000	88,955	3,156	93,156	88,955
2007	100,000	84,275	3,350	103,350	84,275
2008	105,000	78,925	1,752	106,752	78,925
2009	110,000	73,203	-	110,000	73,203
2010-2014	650,000	263,897	-	650,000	263,897
2015-2019	475,000	57,000	-	475,000	57,000
	<u>\$1,620,000</u>	<u>\$ 739,800</u>	<u>\$ 11,231</u>	<u>\$1,631,231</u>	<u>\$ 739,800</u>

Summary of Significant Bonds Resolution Terms and Covenants

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 1996

Depository Funds - The bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

1. Reserve Fund - The 1996 Reserve Account is funded from the proceeds of the Series 1996 Bonds in an amount equal to the highest remaining debt service payment. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Capital Improvement Revenue Bonds	
	Balance	Requirement
Series 1996 Bonds – Reserve Account	<u>\$ 181,050</u>	<u>\$ 181,050</u>

NOTE F – RISK MANAGEMENT

The government 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 government carries commercial insurance.

Bay Creek Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE G – RESTATEMENT OF BEGINNING FUND EQUITY

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments". GASB 34 creates new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual funds rather than by fund type.

The transition from government fund type balances to the net assets of governmental activities is as follows:

Fund Equity, October 1, 2003:	
General fund	\$ 41,247
Debt service funds	260,844
Capital projects funds	<u>383,449</u>
Total Fund Equity – Governmental Fund Types	685,540
GASB 34 Adjustments:	
Capital assets – net	2,738,641
Bond issuance costs – net	214,499
Accrued compensated absences	(7,814)
Accrued interest expense	(20,624)
Bonds and special assessment bonds payable	<u>(1,725,000)</u>
Net Assets, Governmental Activities, October 1, 2003	<u>\$ 1,885,242</u>



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Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Supervisors
Bay Creek Community Development District
Lee County, Florida

We have audited the basic financial statements of Bay Creek Community Development District (the "District") as of and for the year ended September 30, 2004, and have issued our report thereon dated December 8, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over the financial reporting and its operation that we consider to be material weaknesses.



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To the Board of Supervisors
Bay Creek Community Development District

This report is intended solely for the information of the Board of Supervisors, management, federal and state awarding agencies, pass-through entities and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

December 8, 2004



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Management Letter

To the Board of Supervisors
Bay Creek Community Development District
Lee County, Florida

We have audited the financial statements of the Bay Creek Community Development District, Florida as of and for the year ended September 30, 2004, and have issued our report thereon dated December 8, 2004.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Compliance and Internal Controls over Financial Reporting. Disclosures in this report which is dated December 8, 2004 should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(h)1.a) require that we address in the management letter, if not already addressed in the auditors' compliance reports on compliance and internal controls whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no findings in the prior year audit.

The rules of the Auditor General (Section 10.554(1)(h)1.b) require that we address in the management letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

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 Bay Creek Community Development District complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h)4) require that we address in the management letter, if not already addressed in the auditors report on compliance and internal controls: (1) violations of laws, rules, regulations, and contractual provisions 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 financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies,

To the Board of Supervisors
Bay Creek Community Development District

shortages, defalcations, and instances of fraud discovered by, or that comes to the attention of the auditor. Our audit did not discover any of the above items that require to be disclosed.

As required by the Rules of the Auditor General (Section 10.554(1)(h)(6)c. and 10.556), we applied financial conditions assessment procedures. It is management's responsibility to monitor the entity's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same.

Bay Creek Community Development District has not met one or more 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 District for the fiscal year ended September 30, 2004, filed with the Department of Banking Finance pursuant to Section 218.32, Florida Statutes, is in agreement with our annual financial audit report for the fiscal year ended September 30, 2004.

This management letter is intended solely for the information of Bay Creek Community Development District and management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

December 8, 2004