

**BAYSIDE IMPROVEMENT  
COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2009**

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Bayside Improvement Community Development District  
Lee County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Bayside Improvement Community Development District, Lee County, Florida (the "District") as of and for the fiscal year ended September 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of September 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2010, 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, and 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 important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



January 14, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Bayside Improvement Community Development District, Lee County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The District's total assets exceeded total liabilities by \$8,797,292 at the close of the fiscal year ended September 30, 2009. Unrestricted net assets for governmental activities were \$1,232,992, which may be used to meet the District's ongoing obligations. Unrestricted net assets for business-type activities were \$302,615. Governmental activities restricted assets were \$604,405. The District's total invested in capital assets, net of related debt was \$6,657,280.
- The change in the District's total net assets in comparison with the prior year was \$149,881, an increase. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2009, the District's governmental funds reported combined ending fund balances of \$1,937,038, a decrease of \$(1,238,991) in comparison with the prior year. Of the total fund balance, \$659,217 is reserved for debt service and other items and \$1,277,821 is unreserved, undesignated fund balance which is available for spending at the District's discretion.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) 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, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and physical environment. The business-type activities of the District include irrigation services.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

### Governmental Funds

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

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

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund. Both are considered to be major funds. Data from the other three governmental funds are combined with the general fund into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

### Proprietary Fund

The District maintains one type of proprietary fund, an enterprise fund. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the irrigation services within the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

### 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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$8,797,292 at the close of the fiscal year ended September 30, 2009.

Key components of the District's net assets are reflected in the following table:

	NET ASSETS SEPTEMBER 30,					
	Government Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets, excluding capital assets	\$ 2,099,779	\$ 3,418,237	\$ 373,055	\$ 497,824	\$ 2,472,834	\$ 3,916,061
Capital assets, net of depreciation	8,758,289	8,343,823	677,641	749,632	9,435,930	9,093,455
Total assets	<u>10,858,068</u>	<u>11,762,060</u>	<u>1,050,696</u>	<u>1,247,456</u>	<u>11,908,764</u>	<u>13,009,516</u>
Liabilities, excluding long-term liabilities	138,614	211,765	70,440	55,986	209,054	267,751
Long-term liabilities	2,902,418	4,094,354	-	-	2,902,418	4,094,354
Total liabilities	<u>3,041,032</u>	<u>4,306,119</u>	<u>70,440</u>	<u>55,986</u>	<u>3,111,472</u>	<u>4,362,105</u>
Net Assets						
Invested in capital assets, net of related debt	5,979,639	4,337,794	677,641	749,632	6,657,280	5,087,426
Net Assets - Restricted	604,405	626,081	-	-	604,405	626,081
Net Assets - Unrestricted	1,232,992	2,492,066	302,615	441,838	1,535,607	2,933,904
Total net assets	<u>\$ 7,817,036</u>	<u>\$ 7,455,941</u>	<u>\$ 980,256</u>	<u>\$ 1,191,470</u>	<u>\$ 8,797,292</u>	<u>\$ 8,647,411</u>

A portion of the District's net assets reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. They are funds set aside for debt service under the Bond Indenture. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

At September 30, 2009 the District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The same held true for the prior fiscal year.

The District's net assets increased by \$361,095 for governmental activities during the fiscal year ended September 30, 2009. However, net assets decreased by \$(211,214) for business-type activities.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Key elements of the change in net assets are reflected in the following table:

	CHANGES IN NET ASSETS					
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,					
	Government Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues	\$ 2,946,412	\$ 2,716,199	\$ 267,869	\$ 249,505	\$ 3,214,281	\$ 2,965,704
General revenues	35,533	86,646	703	11,911	36,236	98,557
Total revenues	<u>2,981,945</u>	<u>2,802,845</u>	<u>268,572</u>	<u>261,416</u>	<u>3,250,517</u>	<u>3,064,261</u>
Expenses:						
General government	165,644	167,172	-	-	165,644	167,172
Physical environment	2,245,214	2,313,676	-	-	2,245,214	2,313,676
Irrigation services	-	-	479,786	437,612	479,786	437,612
Interest	209,992	259,167	-	-	209,992	259,167
Total expenses	<u>2,620,850</u>	<u>2,740,015</u>	<u>479,786</u>	<u>437,612</u>	<u>3,100,636</u>	<u>3,177,627</u>
Change in net assets	361,095	62,830	(211,214)	(176,196)	149,881	(113,366)
Net assets beginning	7,455,941	7,393,111	1,191,470	1,367,666	8,647,411	8,760,777
Net assets ending	<u>\$ 7,817,036</u>	<u>\$ 7,455,941</u>	<u>\$ 980,256</u>	<u>\$ 1,191,470</u>	<u>\$ 8,797,292</u>	<u>\$ 8,647,411</u>

**Governmental activities**

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2009 was \$2,620,850. The majority of the costs of the District's activities were paid by program revenues. Revenues for the fiscal year ended September 30, 2009 are comprised of \$2,942,775 from assessments, \$7,509 from interest and \$31,661 from other revenue while in the prior year \$2,658,291 was from assessments, \$85,671 from interest, \$39,024 from Developer contributions for conveyed capital assets and \$19,859 from other revenue.

**Business-type activities**

For the fiscal year ended September 30, 2009, the cost of the business-type activities was \$479,786 while in the prior year the cost was \$437,612. The majority of those costs were paid for by program revenues and available net assets.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

### **Governmental funds**

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The general fund is the operating fund of the District and includes all activities related to providing management and operating services.

In the table below we have presented the cost of the largest functions/programs as a percentage of total governmental funds.

	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,			
	2009		2008	
General government	\$ 165,644	4%	\$ 167,172	5%
Physical environment	1,841,705	43%	1,858,975	51%
Capital outlay	817,975	19%	682,517	19%
Principal and interest on long-term debt	1,431,151	34%	897,590	25%
Total	<u>\$ 4,256,475</u>	<u>100%</u>	<u>\$ 3,606,254</u>	<u>100%</u>

As noted above, physical environment and debt payments comprise the majority of expenditures for total governmental activities for the current year, whereas physical environment comprises the majority of expenditures last year. Capital outlay in the current year increased approximately 20% in comparison with prior year. Debt payments increased approximately 59% in comparison with prior year as the District made prepayments for line of credit debt in the current year.

### **Proprietary fund**

The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2009 was amended to decrease revenues by \$16,139 and increase appropriations by \$776,428. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2009.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2009, the District had \$14,295,991 invested in land, land improvements, drainage system, landscaping and an irrigation system. In the government-wide financial statements depreciation of \$4,860,061 has been taken, which resulted in a net book value of \$9,435,930. More detailed information about the District's capital assets is presented in the notes of the financial statements.

## CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

### Capital Debt

At September 30, 2009, the District had total debt outstanding of \$2,902,418 for its governmental activities. Of that amount, \$2,025,000 is for Series 1998A Capital improvement Revenue Bonds, \$742,005 is for a note payable, \$88,929 is for a capital lease and \$46,484 is for accrued compensated absences. More detailed information about the District's capital debt is presented in the notes of the financial statements.

### Contacting the District's Financial Management

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Bayside Improvement Community Development District's Finance Department at 6131 Lyons Road, Suite 100, Coconut Creek, Florida 33073.

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 537,317	\$ 77,531	\$ 614,848
Investments	796,812	251,559	1,048,371
Accounts receivable	-	5,855	5,855
Assessments receivable	3,594	-	3,594
Other receivable	10,425	-	10,425
Prepays and other	1,655	-	1,655
Due from other governments	15,516	-	15,516
Restricted assets:			
Investments	657,176	-	657,176
Deferred charges	77,284	-	77,284
Cash - restricted	-	38,110	38,110
Capital assets:			
Nondepreciable	889,046	-	889,046
Depreciable, net	7,869,243	677,641	8,546,884
Total Assets	<u>10,858,068</u>	<u>1,050,696</u>	<u>11,908,764</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	85,457	32,330	117,787
Accrued interest payable	53,157	-	53,157
Customer deposits payable from restrict assets	-	38,110	38,110
Non-current liabilities			
Due within one year	722,195	-	722,195
Due in more than one year	2,180,223	-	2,180,223
Total Liabilities	<u>3,041,032</u>	<u>70,440</u>	<u>3,111,472</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,979,639	677,641	6,657,280
Restricted for debt service	604,405	-	604,405
Unrestricted	1,232,992	302,615	1,535,607
Total net assets	<u>\$ 7,817,036</u>	<u>\$ 980,256</u>	<u>\$ 8,797,292</u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 165,644	\$ 2,627,239	\$ -	\$ -	\$ 2,461,595	\$ -	\$ 2,461,595
Physical environment	2,245,214	-	-	-	(2,245,214)	-	(2,245,214)
Interest on long-term debt	209,992	315,536	3,637	-	109,181	-	109,181
Total governmental activities	2,620,850	2,942,775	3,637	-	325,562	-	325,562
Business-type activities:							
Irrigation services	479,786	267,869	-	-	-	(211,917)	(211,917)
Total business-type activities	479,786	267,869	-	-	-	(211,917)	(211,917)
General revenues:							
Unrestricted investment earnings					3,872	703	4,575
Miscellaneous					31,661	-	31,661
Total general revenues					35,533	703	36,236
Change in net assets					361,095	(211,214)	149,881
Net assets - beginning					7,455,941	1,191,470	8,647,411
Net assets - ending					\$ 7,817,036	\$ 980,256	\$ 8,797,292

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>ASSETS</b>			
Cash	\$ 537,317	\$ -	\$ 537,317
Investments	796,812	657,176	1,453,988
Assessments receivable	3,208	386	3,594
Other receivable	10,425	-	10,425
Prepaid and other	1,655	-	1,655
Due from other governments	15,516	-	15,516
Total assets	<u>\$ 1,364,933</u>	<u>\$ 657,562</u>	<u>\$ 2,022,495</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 85,457	\$ -	\$ 85,457
Total liabilities	<u>85,457</u>	<u>-</u>	<u>85,457</u>
Fund balances:			
Reserved for:			
Debt service		657,562	657,562
Other	1,655		1,655
Unreserved, reported in:			
General fund	1,277,821		1,277,821
Total fund balances	<u>1,279,476</u>	<u>657,562</u>	<u>1,937,038</u>
Total liabilities and fund balances	<u>\$ 1,364,933</u>	<u>\$ 657,562</u>	<u>\$ 2,022,495</u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

Fund balance - governmental funds		\$ 1,937,038
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets of the government as a whole.</p>		
Cost of capital assets	12,856,177	
Accumulated depreciation	<u>(4,097,888)</u>	8,758,289
<p>Bond issue costs are not financial resources and, therefore are not reported as assets in the governmental funds. The statements of net assets includes these costs, net of amortization.</p>		
Bond issue costs	351,692	
Accumulated amortization	<u>(274,408)</u>	77,284
<p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.</p>		
Accrued interest payable	(53,157)	
Long-term debt outstanding	(2,767,005)	
Capital lease payable	(88,929)	
Compensated absences	<u>(46,484)</u>	<u>(2,955,575)</u>
Net assets of governmental activities		<u><u>\$ 7,817,036</u></u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>REVENUES</b>			
Assessments	\$ 2,627,239	\$ 315,536	\$ 2,942,775
Interest income	3,872	3,637	7,509
Other revenues	31,661	-	31,661
Total revenues	<u>2,662,772</u>	<u>319,173</u>	<u>2,981,945</u>
<b>EXPENDITURES</b>			
Current:			
General government	138,670	26,974	165,644
Physical environment	1,841,705	-	1,841,705
Debt Service:			
Principal	1,049,382	180,000	1,229,382
Interest	63,169	138,600	201,769
Capital outlay	817,975	-	817,975
Total expenditures	<u>3,910,901</u>	<u>345,574</u>	<u>4,256,475</u>
Excess (deficiency) of revenues over (under) expenditures	(1,248,129)	(26,401)	(1,274,530)
<b>OTHER FINANCING SOURCES</b>			
Proceeds from capital leases	35,539	-	35,539
Total other financing sources	<u>35,539</u>	<u>-</u>	<u>35,539</u>
Net change in fund balances	(1,212,590)	(26,401)	(1,238,991)
Fund balances - beginning	<u>2,492,066</u>	<u>683,963</u>	<u>3,176,029</u>
Fund balances - ending	<u>\$ 1,279,476</u>	<u>\$ 657,562</u>	<u>\$ 1,937,038</u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Net change in fund balances - total governmental funds	\$ (1,238,991)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net assets.	817,975
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(403,509)
Governmental funds report proceeds from long-term debt as revenues. However, proceeds are eliminated in the statement of activities and recognized as long-term liabilities in the statement of net assets.	(35,539)
Amortization of premiums, discounts and deferred charges is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(11,041)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	1,229,382
The change in compensated absences between the current and prior fiscal year is reported in the statement of activities but is not reported as expenditures in governmental funds.	(1,907)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	4,725
Change in net assets of governmental activities	<u><u>\$ 361,095</u></u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
SEPTEMBER 30, 2009**

**ASSETS**

Current assets:

Cash	\$ 77,531
Investments	251,559
Accounts receivable	5,855
Restricted assets	
Cash	<u>38,110</u>
Total current assets	<u>373,055</u>

Noncurrent assets:

Capital assets:

Infrastructure	1,439,814
Less accumulated depreciation	<u>(762,173)</u>
Total capital assets (net of depreciation)	<u>677,641</u>
Total noncurrent assets	<u>677,641</u>
Total assets	<u>1,050,696</u>

**LIABILITIES**

Current liabilities:

Accounts payable and accrued expenses	32,330
Customer deposits payable from restricted assets	<u>38,110</u>
Total current liabilities	<u>70,440</u>

**NET ASSETS**

Invested in capital assets, net of related debt	677,641
Unrestricted	<u>302,615</u>
Total net assets	<u>\$ 980,256</u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS - PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Operating revenues:	
Charges for services:	
Irrigation revenues	\$ 267,869
Total operating revenues	<u>267,869</u>
Operating expenses:	
Irrigation services	262,402
Administrative and other	145,393
Depreciation and amortization	71,991
Total operating expenses	<u>479,786</u>
Operating income (loss)	<u>(211,917)</u>
Nonoperating revenues (expenses):	
Interest income	<u>703</u>
Total nonoperating revenues	<u>703</u>
Change in net assets	(211,214)
Total net assets, beginning	<u>1,191,470</u>
Total net assets, ending	<u>\$ 980,256</u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 267,252
Payments to suppliers	<u>(393,376)</u>
Net cash provided (used) by operating activities	<u>(126,124)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases and sales of investments	160,916
Interest income	<u>703</u>
Net cash provided (used) by investing activities	<u>161,619</u>
Net increase (decrease) in cash and cash equivalents	35,495
Cash and cash equivalents - October 1	<u>80,146</u>
Cash and cash equivalents - September 30	<u>\$ 115,641</u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (211,917)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	71,991
Increase in accounts receivable	(652)
Increase in accounts payable	14,419
Increase in deposits	<u>35</u>
Total adjustments	<u>85,793</u>
Net cash provided (used) by operating activities	<u>\$ (126,124)</u>

See notes to the financial statements

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Bayside Improvement Community Development District ("District") was created on August 14, 1991 by Rule Chapter 42N-1.001, adopted under Chapter 120 by the Florida Land and Water Adjudicatory Commission, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The District and Bay Creek Community Development District ("Bay Creek") share the same Developer and share the majority of their costs based on a common budget whereby all appropriations are shared based on the total projected equivalent residential units for each District.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment (Operating-type special assessments for maintenance and debt service are treated as charges for services.) and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

### **Assessments**

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January 1 to pay for the operations and maintenance and debt service of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments. The District's annual assessments are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution. In addition, any excess fees computed by the Tax Collector are remitted to the District.

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

The District reports the following major governmental funds:

### **General Fund**

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

### **Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

The District reports the following major proprietary fund:

### **Irrigation Fund**

The Irrigation Fund accounts for the operations of the irrigation lines, which are funded by proceeds from operations of these facilities including user fees, meter fees and connection fees.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to apply subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

### **Assets, Liabilities and Net Assets or Equity**

#### Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants and cash set aside for customer deposits.

#### Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments allowed in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

#### Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Assets, Liabilities and Net Assets or Equity (Continued)

#### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	7-39
Infrastructure	20-40
Furniture fixtures and equipment	5-10
Irrigation system	20

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

#### Compensated Absences

It is the District's policy to permit employees to accumulate, within certain limits, earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. However, employees will be paid for any unused accrued vacation time up to a maximum 240 vacation hours upon termination of employment. Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages payable, if any.

#### Deferred Charges

In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling \$351,692. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2009 the District reported accumulated amortization of \$274,408.

#### Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

#### Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Assets or Equity (Continued)**

#### Long-Term Obligations (Continued)

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

#### Fund Equity/Net Assets

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

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Bond covenants.

### **Other Disclosures**

#### Use of Estimates

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

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### Budgetary Information

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

## **NOTE 3 – CASH AND INVESTMENTS**

### Cash

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

### NOTE 3 – CASH AND INVESTMENTS (Continued)

#### Investments

The District's investments were held as follows at September 30, 2009:

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturities</u>
Money Market Mutual Funds - First American Government Obligation Fund	\$ 657,176	S&P AAAM	Weighted average of the fund portfolio: 45 days
Treasury Obligations Fund SS	798,422	S&P AAAM	Weighted average of the fund portfolio: 30 days
U.S. Treasury Bill	249,949	N/A	10/1/2009
Total Investments	<u>\$ 1,705,547</u>		

*Custodial risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk.

The money market mutual funds are not evidenced by securities that exist in physical or book entry form. The U.S. Treasury investment is held by the trustee or agent but not in the District's name.

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer.

*Interest rate risk* – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

### NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 889,046	\$ -	\$ -	\$ 889,046
Construction in progress	823,510	782,436	(1,605,946)	-
Total capital assets, not being depreciated	<u>1,712,556</u>	<u>782,436</u>	<u>(1,605,946)</u>	<u>889,046</u>
Capital assets, being depreciated				
Furniture, fixtures and equipment	537,930	35,539	-	573,469
Building and improvements	3,373,517	1,605,946	-	4,979,463
Infrastructure	6,414,199	-	-	6,414,199
Total capital assets, being depreciated	<u>10,325,646</u>	<u>1,641,485</u>	<u>-</u>	<u>11,967,131</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	393,998	55,161	-	449,159
Building and improvements	1,410,140	134,183	-	1,544,323
Infrastructure	1,890,241	214,165	-	2,104,406
Total accumulated depreciation	<u>3,694,379</u>	<u>403,509</u>	<u>-</u>	<u>4,097,888</u>
Total capital assets, being depreciated, net	<u>6,631,267</u>	<u>1,237,976</u>	<u>-</u>	<u>7,869,243</u>
Governmental activities capital assets	<u>\$ 8,343,823</u>	<u>\$ 2,020,412</u>	<u>\$ (1,605,946)</u>	<u>\$ 8,758,289</u>

#### NOTE 4 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business type activities</u>				
Capital assets, being depreciated				
Irrigation system	\$ 1,439,814	\$ -	\$ -	\$ 1,439,814
Total capital assets, being depreciated	1,439,814	-	-	1,439,814
Less accumulated depreciation for:				
Irrigation system	690,182	71,991	-	762,173
Total accumulated depreciation	690,182	71,991		762,173
Total capital assets, being depreciated, net	749,632	(71,991)	-	677,641
Business type activities capital assets, net	\$ 749,632	\$ (71,991)	\$ -	\$ 677,641

In February 2005, the District created a Planned Integration Committee Project, which the cost of the project is shared with Bay Creek. The purpose of the project is for community infrastructure improvements as well as related architectural, engineering, environmental, and other costs that benefit both Districts. The cost shared between the District and Bay Creek is based upon assessable units within each district. For the fiscal year ended September 30, 2009, approximately \$255,109 was incurred for the Planned Integration Committee Project and the project was completed and put into the service.

Also the District and Bay Creek entered into a Maintenance Facility Project in a prior year, which included the construction of a maintenance building on the land that is solely owned by the District. The costs of the building will be split between the two districts based on the actual amount of capital outlay that is expended by each of the Districts. During the fiscal year ended September 30, 2009, the District incurred \$527,328 for the project and the project was completed and put into the service.

#### NOTE 5 – LONG-TERM LIABILITIES

At September 30, 2009 the District has the following debt outstanding.

##### Series 1998

In May 1998, the District issued \$7,660,000 Series 1998A Capital Improvement Revenue Bonds. These Bonds were issued to fund the construction and installation of certain master infrastructure improvements. The Bonds are due on May 1, 2018 with interest at 5.95 to 6.30%. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Bonds is to be paid serially commencing May 1, 1999 through May 1, 2018.

The Series 1998 Bonds are subject to redemption at the option of the District prior to maturity. The Series 1998 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. For the Series 1998 Bonds, this occurred during the current fiscal year and the District prepaid \$10,000 of the Bonds. In addition, see Subsequent Events note for extraordinary redemption amounts subsequent to year end.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with those requirements of the Bond Indenture at September 30, 2009.

**NOTE 5 – LONG-TERM LIABILITIES (Continued)**

**Line of Credit/Note Payable**

In June 2006, the District and Bay Creek jointly entered into a line of credit agreement with SunTrust Bank in the amount of \$2,500,000 for the purpose of financing the Planned Integration Committee Project (See Note 4 for details). The proceeds of the Note were expended on capital items that are shared by both districts and both districts are responsible for repayment of the Note. However, the Note proceeds, related capital outlay and debt service are reflected entirely within the District's general fund. The District is responsible for repayment of 78% of the related debt service and Bay Creek is responsible for repayment of 22% of the related debt service through assessments. This ratio is based upon the number of units per district that reside within the gated area.

The initial draw of \$50,000 occurred in the fiscal year 2006. The second draw of \$2,150,000 occurred in the fiscal year 2007. The Note shall initially bear interest at a variable rate equal to 66% of the 1-month LIBOR plus 97.8 basis points. Accrued interest on the Note shall be payable, based on the amount drawn on August 1 and February 1 of each year, beginning February 1, 2007. The Line of Credit converted to a note on August 1, 2007 for \$2,200,000 with a fixed rate of interest at 4.695%. On May 19, 2008, the District renegotiated the note payable to a fixed interest rate of 4.06% from 4.695%. Principal on the Note shall be payable, based on the amount drawn, on August 1 and February 1 of each year beginning February 1, 2008 and maturing on February 1, 2012. During the fiscal year 2009, the District prepaid \$525,000 for the Note in addition to scheduled debt payments.

**Long-term debt transactions**

Changes in long-term liability activity for the fiscal year ended September 30, 2009 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 1998	\$ 2,205,000	\$ -	\$ (180,000)	\$ 2,025,000	\$ 175,000
Note payable	1,752,581	-	(1,010,576)	742,005	517,296
Capital lease	92,196	35,539	(38,806)	88,929	29,899
Compensated absences	44,577	1,907	-	46,484	-
Total	<u>\$ 4,094,354</u>	<u>\$ 37,446</u>	<u>\$ (1,229,382)</u>	<u>\$ 2,902,418</u>	<u>\$ 722,195</u>

At September 30, 2009, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2010	\$ 692,294	\$ 152,494	844,788
2011	409,711	121,107	530,818
2012	195,000	104,895	299,895
2013	210,000	92,610	302,610
2014	225,000	79,380	304,380
2015-2018	1,035,000	167,265	1,202,265
Total	<u>\$ 2,767,005</u>	<u>\$ 717,751</u>	<u>\$ 3,484,756</u>

## NOTE 6 – CAPITAL LEASES

During the fiscal year ended September 30, 2009, the District entered into one new lease with an option to purchase equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at present value of its future minimum lease payments as of the inception date

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Equipment	\$ 167,665
Less: Accumulated depreciation	(84,410)
Total	<u>\$ 83,255</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009, are as follows:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>		
	Total	Principal	Interest
2010	\$ 34,240	\$ 29,899	\$ 4,341
2011	30,546	27,825	2,721
2012	30,546	29,500	1,045
2013	1,713	1,705	8
Total minimum lease payments	97,045	<u>\$ 88,929</u>	<u>\$ 8,116</u>
Less: amount representing interest	(8,116)		
Present value of minimum lease payments	<u>\$ 88,929</u>		

## NOTE 7 – PENSION PLANS

The District and Bay Creek Community Development District share the same Developer and share the majority of their costs based on a common budget whereby all appropriations are shared based on the total projected equivalent residential units for each District. Both pension plans described below are plans that cover the common employees of both the District and Bay Creek. The information described below is based on the plan as a whole unless otherwise indicated.

### Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. In March 2007, the District executed a Trust Agreement with its plan agent for the sole and exclusive benefit of District employees. Except for the plan provisions related to loans, the deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency. The plan is administered by ICMA Retirement Corporation. Except for the plan provisions related to loans, the District has no fiduciary responsibility for the plan and therefore, the District does not report the balances and activities in its financial statements.

### Defined Contribution Pension Plan

All permanent full-time employees are covered by a defined contribution pension plan with vesting requirements varying between one and five years. At September 30, 2009, there were 7 plan members. Nonvested pension forfeitures, classified as investments with pension agent, are restricted by the plan and may only be used toward the District's payment of its future pension contributions. The plan is administered by ICMA Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The District's policy is to fund the annual pension costs in the annual budget. The District has no fiduciary responsibility for the plan and therefore does not report the balances or activities in its financial statements. The District's contribution to the plan is 6% of each eligible employee's regular pay.

## **NOTE 7 – PENSION PLANS (Continued)**

### **Defined Contribution Pension Plan (Continued)**

The District's total payroll in fiscal year 2009 was \$951,820. The wages subjected to pension contributions were approximately \$280,250, and the total pension contribution from the District was \$22,395 for the fiscal year ended September 30, 2009.

## **NOTE 8 – OTHER RELATED PARTY TRANSACTIONS**

Due to the fact that the Line of Credit/Note Payable proceeds used to finance the Planned Integration Committee Project (see Note 4) are reflected entirely within Bayside's general fund, the assessments of \$120,078, which were collected by Bay Creek for the project to repay the Note, are reflected within Bayside's general fund.

In addition, Bay Creek received assessments of \$40,509 collected by Bayside on behalf of Bay Creek during the fiscal year ended September 30, 2009.

## **NOTE 9 – MANAGEMENT COMPANY**

The District has contracted with Wrathell, Hart, Hunt and Associates to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

## **NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

## **NOTE 11 – SUBSEQUENT EVENTS**

Subsequent to September 30, 2009 the District prepaid \$15,000 of the Series 1998A Bonds. The prepayment was an extraordinary mandatory redemption as outlined in the Bond Indenture.

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Assessments	\$ 2,672,455	\$ 2,661,605	\$ 2,627,239	\$ (34,366)
Interest	23,917	18,628	3,872	(14,756)
Other revenue	21,794	21,794	31,661	9,867
Total revenues	2,718,166	2,702,027	2,662,772	(39,255)
<b>EXPENDITURES</b>				
Current:				
General government	142,065	142,065	138,670	3,395
Physical environment	2,121,018	2,107,604	1,841,705	265,899
Debt service				
Principal expense	475,841	1,010,575	1,049,382	(38,807)
Interest expense	66,373	66,373	63,169	3,204
Capital outlay	652,800	907,908	817,975	89,933
Total expenditures	3,458,097	4,234,525	3,910,901	323,624
Excess (deficiency) of revenues over (under) expenditures	(739,931)	(1,532,498)	(1,248,129)	284,369
<b>OTHER FINANCING SOURCES</b>				
Proceeds from capital leases	37,131	37,131	35,539	(1,592)
Total other financing sources	37,131	37,131	35,539	(1,592)
Net change in fund balances	\$ (702,800)	\$ (1,495,367)	(1,212,590)	\$ 282,777
Fund balance - beginning			2,492,066	
Fund balance - ending			\$ 1,279,476	

See notes to required supplementary information

**BAYSIDE IMPROVEMENT COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2009 was amended to decrease revenues by \$16,139 and increase appropriations by \$776,428. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2009.

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

To the Board of Supervisors  
Bayside Improvement Community Development District  
Lee County, Florida

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of Bayside Improvement Community Development District, Lee County, Florida ("District") as of and for the fiscal year ended September 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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, and 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 for the information and use of the management, Board of Supervisors of Bayside Improvement Community Development District, Lee County, Florida 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.

A handwritten signature in blue ink, appearing to read "D. S. Cut".

January 14, 2010

**MANAGEMENT LETTER PURSUANT TO THE RULES OF  
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors  
Bayside Improvement Community Development District  
Lee County, Florida

We have audited the accompanying basic financial statements of Bayside Improvement Community Development District ("District"), Lee County, Florida ("District") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated January 14, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated January 14, 2010. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

This report is intended for the information of the management, Board of Supervisors of Bayside Improvement Community Development District, Lee County, Florida 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.

We wish to thank Bayside Improvement Community Development District, Lee County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.



January 14, 2010

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

#### Budget

Observation: Actual expenditures exceeded appropriations in the general fund at September 30, 2008.

Recommendation: The District should amend the budget during the fiscal year to ensure that all expenditures are properly budgeted.

Management Response: Management will review current year spending to ensure that expenditures do not exceed appropriations.

Current Status: Recommendation has been implemented and shall not be repeated.

### III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2008, except as noted above.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2009.

4. Violations of provisions of contracts or grant agreements, or abuse that have an effect on the financial statements that is less than material but more than inconsequential.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2009.

## REPORT TO MANAGEMENT (Continued)

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:
  - a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
  - b. Control deficiencies that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2009.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2009 financial audit report.
8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.