

**BAY CREEK  
COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2011**

**BAY CREEK COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA**

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**Grau & Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350  
Boca Raton, Florida 33431  
(561) 994-9299 • (800) 299-4728  
Fax (561) 994-5823  
www.graucpa.com

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Supervisors  
Bay Creek 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 Bay Creek Community Development District, Lee County, Florida (the "District") as of and for the fiscal year ended September 30, 2011, 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, 2011, 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 February 3, 2012 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, contracts, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Grau & Associates*

February 3, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Bay Creek Community Development District, Lee County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2011. 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 its total liabilities at the close of the most recent fiscal year resulting in net assets of \$2,102,683.
- The District's total net assets decreased by (\$31,242) in comparison with the prior year. 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, 2011, the District's governmental funds reported combined ending fund balances of \$614,465, a decrease of (\$20,244) in comparison with the prior year. The total fund balance is restricted for debt service, assigned to subsequent year's expenditures, and the remainder is unassigned 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 governmental government and physical environment. The business-type activities of the District include irrigation services.

#### 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.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### 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 two 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.

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 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 at the close of the most recent fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	NET ASSETS					
	SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets, excluding capital assets	\$ 661,325	\$ 685,297	\$ 191,184	\$ 184,985	\$ 852,509	\$ 870,282
Capital assets, net of depreciation	1,922,178	2,021,501	279,656	305,274	2,201,834	2,326,775
Total assets	2,583,503	2,706,798	470,840	490,259	3,054,343	3,197,057
Liabilities, excluding long-term liabilities	40,042	41,082	30,278	13,942	70,320	55,024
Long-term liabilities	881,340	1,008,108	-	-	881,340	1,008,108
Total liabilities	921,382	1,049,190	30,278	13,942	951,660	1,063,132
Net assets						
Invested in capital assets, net of related debt	1,078,664	1,058,265	279,656	305,274	1,358,320	1,363,539
Restricted for debt service	223,152	222,453	-	-	223,152	222,453
Unrestricted	360,305	376,890	160,906	171,043	521,211	547,933
Total net assets	\$ 1,662,121	\$ 1,657,608	\$ 440,562	\$ 476,317	\$ 2,102,683	\$ 2,133,925

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.

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

The District's net assets decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

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,					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 541,903	\$ 523,277	\$ 110,949	\$ 78,750	\$ 652,852	\$ 602,027
General revenues	6,212	5,091	140	267	6,352	5,358
Total revenues	548,115	528,368	111,089	79,017	659,204	607,385
Expenses:						
General government	62,569	57,573	-	-	62,569	57,573
Physical environment	418,642	400,565	-	-	418,642	400,565
Irrigation services	-	-	146,844	132,619	146,844	132,619
Interest	62,391	69,483	-	-	62,391	69,483
Total expenses	543,602	527,621	146,844	132,619	690,446	660,240
Special items	-	-	-	353,023	-	353,023
Change in net assets	4,513	747	(35,755)	299,421	(31,242)	300,168
Net assets beginning	1,657,608	1,656,861	476,317	176,896	2,133,925	1,833,757
Net assets ending	\$ 1,662,121	\$ 1,657,608	\$ 440,562	\$ 476,317	\$ 2,102,683	\$ 2,133,925

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

### **Governmental activities**

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2011 was \$543,602. The costs of the District's activities were primarily funded by program revenues. As in the prior fiscal year, program revenues are comprised primarily of assessments. The majority of the change in expenses results from increases in maintenance costs.

### **Business-type activities**

Business-type activities reflect the operations of the irrigation facilities within the District. The cost of operations is covered primarily by charges to customers. In addition, program revenues in the current fiscal year include an assessment levy on customers.

## 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, 2011 was amended to increase revenues by \$1,587 and increase appropriations by \$32,216. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2011.

The variance between budgeted and actual general fund revenues for the 2011 fiscal year was not considered significant. The actual general fund expenditures for the 2011 fiscal year were less than budgeted amounts due primarily to costs which were not incurred in the current fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2011, the District had \$5,054,038 invested in land and land improvements, building and improvements, drainage system, irrigation system and landscaping. In the government-wide financial statements depreciation of \$2,852,204 has been taken, which resulted in a net book value of \$2,201,834. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2011, the District had total debt outstanding of \$871,957 for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for fiscal year 2012. In addition, it is anticipated that the general operations of the District will remain fairly constant. For the irrigation facilities, it is anticipated that the general operations will remain fairly constant.

### 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 Bay Creek Community Development District's Finance Department at 6131 Lyons Road, Suite 100, Coconut Creek, Florida 33073.

**BAY CREEK COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 70,934	\$ 62,258	\$ 133,192
Investments	303,136	115,187	418,323
Accounts receivable	-	1,585	1,585
Assessments receivable	22,398	-	22,398
Due from business-type activities	710	-	710
Due from other governments	5,127	-	5,127
Temporarily restricted:			
Investments	230,577	-	230,577
Deferred charges	28,443	-	28,443
Cash - restricted	-	12,154	12,154
Capital assets:			
Nondepreciable	584,720	-	584,720
Depreciable, net	1,337,458	279,656	1,617,114
Total assets	<u>2,583,503</u>	<u>470,840</u>	<u>3,054,343</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	17,351	12,176	29,527
Accrued interest payable	21,625	-	21,625
Customer deposits payable from restricted assets	-	12,154	12,154
Due to other governmental entity	1,066	710	1,776
Deferred revenue	-	5,238	5,238
Non-current liabilities:			
Due within one year	130,743	-	130,743
Due in more than one year	750,597	-	750,597
Total liabilities	<u>921,382</u>	<u>30,278</u>	<u>951,660</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,078,664	279,656	1,358,320
Restricted for debt service	223,152	-	223,152
Unrestricted	360,305	160,906	521,211
Total net assets	<u>\$ 1,662,121</u>	<u>\$ 440,562</u>	<u>\$ 2,102,683</u>

See notes to the financial statements



**BAY CREEK COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

<u>Functions/Programs</u>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Governmental Activities	Business-type Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 62,569	\$ 62,569	\$ -	\$ -		\$ -
Physical environment	418,642	281,950	(136,692)	-		(136,692)
Interest on long-term debt	62,391	197,384	134,993	-		134,993
Total governmental activities	<u>543,602</u>	<u>541,903</u>	<u>(1,699)</u>	<u>-</u>		<u>(1,699)</u>
Business-type activities:						
Irrigation services	146,844	110,949	-	(35,895)		(35,895)
Total business-type activities	<u>146,844</u>	<u>110,949</u>	<u>-</u>	<u>(35,895)</u>		<u>(35,895)</u>
General revenues:						
Unrestricted investment earnings			460	140		600
Miscellaneous			5,752	-		5,752
Total general revenues			<u>6,212</u>	<u>140</u>		<u>6,352</u>
Change in net assets			4,513	(35,755)		(31,242)
Net assets - beginning			1,657,608	476,317		2,133,925
Net assets - ending			<u>\$ 1,662,121</u>	<u>\$ 440,562</u>		<u>\$ 2,102,683</u>

See notes to the financial statements

**BAY CREEK COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>ASSETS</b>			
Cash	\$ 70,934	\$ -	\$ 70,934
Investments	303,136	230,577	533,713
Assessments receivable	6,292	16,106	22,398
Due from other funds	1,550	-	1,550
Due from other governments	5,127	-	5,127
Total assets	<u>\$ 387,039</u>	<u>\$ 246,683</u>	<u>\$ 633,722</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 17,351	\$ -	\$ 17,351
Due to other funds	-	840	840
Due to other governments	-	1,066	1,066
Total liabilities	<u>17,351</u>	<u>1,906</u>	<u>19,257</u>
Fund balances:			
Restricted for:			
Debt service	-	244,777	244,777
Assigned to:			
Subsequent year's expenditures	9,640	-	9,640
Unassigned	360,048	-	360,048
Total fund balances	<u>369,688</u>	<u>244,777</u>	<u>614,465</u>
Total liabilities and fund balances	<u>\$ 387,039</u>	<u>\$ 246,683</u>	<u>\$ 633,722</u>

See notes to the financial statements

**BAY CREEK COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011**

Fund balance - governmental funds		\$ 614,465
<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	4,541,651	
Accumulated depreciation	<u>(2,619,473)</u>	1,922,178
<p>Bond issuance 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 issuance costs	323,722	
Accumulated amortization	<u>(295,279)</u>	28,443
<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	(21,625)	
Bonds payable	(865,000)	
Capital lease payable	(6,957)	
Compensated absences	<u>(9,383)</u>	<u>(902,965)</u>
Net assets of governmental activities		<u><u>\$ 1,662,121</u></u>

See notes to the financial statements

**BAY CREEK COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Major Funds		Total Governmental Funds
	General	Debt Service	
<b>REVENUES</b>			
Assessments	\$ 344,519	\$ 197,384	\$ 541,903
Miscellaneous revenue	5,752	-	5,752
Interest	460	-	460
Total revenues	<u>350,731</u>	<u>197,384</u>	<u>548,115</u>
<b>EXPENDITURES</b>			
Current:			
General government	43,342	20,585	63,927
Physical environment	319,319	-	319,319
Debt service:			
Principal	5,410	120,000	125,410
Interest	603	59,100	59,703
Total expenditures	<u>368,674</u>	<u>199,685</u>	<u>568,359</u>
Excess (deficiency) of revenues over (under) expenditures	(17,943)	(2,301)	(20,244)
Fund balances - beginning	<u>387,631</u>	<u>247,078</u>	<u>634,709</u>
Fund balances - ending	<u>\$ 369,688</u>	<u>\$ 244,777</u>	<u>\$ 614,465</u>

See notes to the financial statements

**BAY CREEK 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, 2011**

Net change in fund balances - total governmental funds	\$ (20,244)
Amounts reported for governmental activities in the statement of activities are different because:	
Repayments 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.	125,410
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.	1,358
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.	3,000
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds. The details of the differences are as follows:	
Depreciation of capital assets	(99,323)
Amortization of deferred charges	(5,688)
	4,513
Change in net assets of governmental activities	\$ 4,513

See notes to the financial statements

**BAY CREEK COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
SEPTEMBER 30, 2011**

<b>ASSETS</b>	
Current assets:	
Cash	\$ 62,258
Investments	115,187
Accounts receivable	1,585
Restricted assets:	
Cash	<u>12,154</u>
Total current assets	<u>191,184</u>
Noncurrent assets:	
Capital assets:	
Infrastructure	512,387
Less accumulated depreciation	<u>(232,731)</u>
Total capital assets (net of depreciation)	<u>279,656</u>
Total noncurrent assets	<u>279,656</u>
Total assets	<u>470,840</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	12,176
Deferred revenue	5,238
Due to other funds	710
Customer deposits	<u>12,154</u>
Total current liabilities	<u>30,278</u>
Total liabilities	<u>30,278</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	279,656
Unrestricted	<u>160,906</u>
Total net assets	<u>\$ 440,562</u>

See notes to the financial statements

**BAY CREEK 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, 2011**

Operating revenues:	
Charges for services:	
Irrigation revenues	\$ 54,004
Special assessment	53,265
Meter fees	3,038
Other	<u>642</u>
Total operating revenues	<u>110,949</u>
Operating expenses:	
Irrigation services	82,302
Administrative and other	38,923
Depreciation and amortization	<u>25,619</u>
Total operating expenses	<u>146,844</u>
Operating income (loss)	<u>(35,895)</u>
Nonoperating revenues (expenses):	
Interest income	<u>140</u>
Total nonoperating revenue	<u>140</u>
Change in net assets	(35,755)
Total net assets, beginning	<u>476,317</u>
Total net assets, ending	<u>\$ 440,562</u>

See notes to the financial statements

**BAY CREEK COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 115,530
Payments to suppliers	<u>(110,838)</u>
Net cash provided (used) by operating activities	<u>4,692</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Due to/from other funds	<u>710</u>
Net cash from non-capital financing activities	<u>710</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases and sales of investments	(11)
Interest income	<u>140</u>
Net cash provided (used) by investing activities	<u>129</u>
Net increase (decrease) in cash and cash equivalents	5,531
Cash and cash equivalents - October 1	<u>68,881</u>
Cash and cash equivalents - September 30	<u><u>\$ 74,412</u></u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (35,895)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	25,619
(Increase)/Decrease in:	
Accounts receivable	(657)
Increase/(Decrease) in:	
Accounts payable	10,387
Deferred revenue	5,238
Total adjustments	<u>40,587</u>
Net cash provided (used) by operating activities	<u><u>\$ 4,692</u></u>

See notes to the financial statements



**BAY CREEK COMMUNITY DEVELOPMENT DISTRICT  
LEE COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY**

**Reporting Entity**

Bay Creek Community Development District ("District") was created on November 7, 1993 by Ordinance 93-33 of the Lee County, Florida, 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 qualified electors (residents) living 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 Bayside Improvement Community Development District ("Bayside") 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 2 – 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.

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 following major proprietary fund is used by the District:

### **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, connection fees, and non-ad valorem special assessments.

## **NOTE 2 – 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.

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 2 – 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 \$323,722. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2011 the District reported accumulated amortization of \$295,279.

#### 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 2 – 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 non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change. Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be reported according to the following classifications:

Non-spendable fund balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted fund balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed.

Unassigned fund balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### 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 3 – BUDGETARY INFORMATION

### 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 4 – DEPOSITS AND INVESTMENTS

### Deposits

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.

### Investments

The District's investments were held as follows at September 30, 2011:

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturities</u>
Money Market Mutual Funds - First			Weighted average of the fund
American Government Obligation Fund	\$ 230,577	S&P AAAM	portfolio: 50 days
Treasury Obligations Fund SS	418,323	S&P AAAM	Weighted average of the fund
Total Investments	<u>\$ 648,900</u>		portfolio: 21 days

*Custodial credit 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.

#### NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

*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 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 584,720	\$ -	\$ -	\$ 584,720
Total capital assets, not being depreciated	584,720	-	-	584,720
Capital assets, being depreciated				
Furniture, fixtures and equipment	79,402	-	-	79,402
Building and improvements	1,569,076	-	-	1,569,076
Infrastructure	2,308,453	-	-	2,308,453
Total capital assets, being depreciated	3,956,931	-	-	3,956,931
Less accumulated depreciation for:				
Furniture, fixtures and equipment	53,182	8,753	-	61,935
Building and improvements	1,339,364	9,317	-	1,348,681
Infrastructure	1,127,604	81,253	-	1,208,857
Total accumulated depreciation	2,520,150	99,323		2,619,473
Total capital assets, being depreciated, net	1,436,781	(99,323)	-	1,337,458
Governmental activities capital assets	\$ 2,021,501	\$ (99,323)	\$ -	\$ 1,922,178
	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business type activities</u>				
Capital assets, being depreciated				
Irrigation system	\$ 512,387	\$ -	\$ -	\$ 512,387
Total capital assets, being depreciated	512,387	-	-	512,387
Less accumulated depreciation for:				
Irrigation system	207,112	25,619	-	232,731
Total accumulated depreciation	207,112	25,619	-	232,731
Total capital assets, being depreciated, net	305,275	(25,619)	-	279,656
Business type activities capital assets, net	\$ 305,275	\$ (25,619)	\$ -	\$ 279,656

For governmental activities, depreciation was charged to the maintenance and operations function.

## NOTE 6 – LONG-TERM LIABILITIES

At September 30, 2011 the District has the following debt outstanding.

### Series 1996

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 Bonds are due on May 1, 2017 with interest at 4.1 to 6.0%. 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, 1997 through May 1, 2017.

The Series 1996 Bonds are subject to redemption at the option of the District prior to maturity. The Series 1996 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.

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, 2011.

### Long-term debt transactions

Changes in long-term liability activity for the fiscal year ended September 30, 2011 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 1996	\$ 985,000	\$ -	\$ 120,000	\$ 865,000	\$ 125,000
Capital leases	12,367	-	5,410	6,957	5,743
Compensated absences	10,741	5,191	6,549	9,383	-
Total	<u>\$ 1,008,108</u>	<u>\$ 5,191</u>	<u>\$ 131,959</u>	<u>\$ 881,340</u>	<u>\$ 130,743</u>

At September 30, 2011, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2012	\$ 125,000	\$ 51,900	176,900
2013	130,000	44,400	174,400
2014	140,000	36,600	176,600
2015	150,000	28,200	178,200
2016	160,000	19,200	179,200
2017	160,000	9,600	169,600
Total	<u>\$ 865,000</u>	<u>\$ 189,900</u>	<u>\$ 1,054,900</u>

### Capital Lease

The District entered into a lease in a prior year with an option to purchase equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at present value of its future minimum lease payments as of the inception date.



## NOTE 6 – LONG-TERM LIABILITIES (Continued)

The future minimum lease obligation and the net present value of this minimum lease payment as of September 30, 2011, is as follows:

Year ending September 30,	Governmental Activities		
	Total	Principal	Interest
2012	6,012	5,743	269
2013	1,112	1,069	43
2014	146	145	1
Total minimum lease payments	7,270	\$ 6,957	\$ 313
Less: amount representing interest	(313)		
Present value of minimum lease payments	\$ 6,957		

## NOTE 7 – PENSION PLANS

The District and Bayside 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 Bayside. 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, 2011, there were 7 plan members. Non-vested 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.

The District's total payroll in fiscal year 2011 was \$167,119. The wages subjected to pension contributions were approximately \$42,548 and the total pension contribution from the District was \$3,975 for the fiscal year ended September 30, 2011.

## NOTE 8 – COMMITMENTS

### Line of Credit/Note Payable

In June 2006, the District and Bayside 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. 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 Bayside's general fund. Bayside is responsible for repayment of 78% of the related debt service and the District 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.

#### **NOTE 8 – COMMITMENTS (Continued)**

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 fiscal year September 30, 2011, the line of credit was paid off.

#### **NOTE 9 – OTHER RELATED PARTY TRANSACTIONS**

Due to the fact that the Line of Credit/Note Payable proceeds used to finance the Planned Integration Committee Project are reflected entirely within Bayside's general fund, the assessments of \$24,865, which were collected by the District for the project to repay the Note, are reflected within Bayside's general fund.

In addition, The District received assessments of \$43,699 collected by Bayside on behalf of the District during the fiscal year ended September 30, 2011.

#### **NOTE 10 – MANAGEMENT COMPANY**

The District has contracted with Wrathell, 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 11 – 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.

**BAY CREEK 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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Assessments	\$ 344,122	\$ 344,519	\$ 344,519	\$ -
Interest	388	281	460	179
Miscellaneous income	4,453	5,750	5,752	2
Total revenues	<u>348,963</u>	<u>350,550</u>	<u>350,731</u>	<u>181</u>
<b>EXPENDITURES</b>				
Current:				
General government	39,265	45,898	43,342	2,556
Physical environment	310,751	336,334	319,319	17,015
Debt service:				
Principal expense	-	-	5,410	(5,410)
Interest expense	-	-	603	(603)
Total expenditures	<u>350,016</u>	<u>382,232</u>	<u>368,674</u>	<u>13,558</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,053)</u>	<u>(31,682)</u>	<u>(17,943)</u>	<u>13,739</u>
Net change in fund balance	<u>\$ (1,053)</u>	<u>\$ (31,682)</u>	<u>(17,943)</u>	<u>\$ 13,739</u>
Fund balance - beginning			<u>387,631</u>	
Fund balance - ending			<u>\$ 369,688</u>	

See notes to required supplementary information

**BAY CREEK 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, 2011 was amended to increase revenues by \$1,587 and increase appropriations by \$32,216. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2011.

The variance between budgeted and actual general fund revenues for the 2011 fiscal year was not considered significant. The actual general fund expenditures for the 2011 fiscal year were less than budgeted amounts due primarily to costs which were not incurred in the current fiscal year.



**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  
Bay Creek 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 Bay Creek Community Development District, Lee County, Florida ("District") as of and for the fiscal year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 3, 2012. 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 deficiency in internal control* 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Bay Creek 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.

*Grau & Associates*

February 3, 2012





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

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, Lee County, Florida ("District") as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated February 3, 2012.

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 February 3, 2012. 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.**

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This letter is intended for the information and use of the management, Board of Supervisors of Bay Creek 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 Bay Creek 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.

*Grau & Associates*

February 3, 2012

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

### 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, 2010.

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, 2011.

4. Violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, 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, 2011.

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. Deficiencies in internal control 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, 2011.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

### **REPORT TO MANAGEMENT (Continued)**

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, 2011 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.