

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2004**

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Oakstead Community Development District
Pasco County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Oakstead Community Development District, Pasco County, Florida ("District") as of and for the fiscal year ended September 30, 2004, which 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 an opinion on these financial statements based on our audit.


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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2004, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments as of October 1, 2003. As described in Note 1, the District has elected to delay the implementation of the infrastructure related portion to a subsequent year.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 2005 on our consideration of the Oakstead Community Development District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the 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.



September 19, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Oakstead Community Development District, Pasco County, Florida's ("District") financial accomplishments provides an overview of the District's financial activities for the fiscal year ended September 30 2004. 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.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement ("GASB") No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis ("MD&A"). However, because this is the first year of implementation, and GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the District has elected to exclude the information in this report. Subsequent reports will include the comparative information.

FINANCIAL HIGHLIGHTS

The liabilities of the District exceeded its assets at the close of the fiscal year ended September 30, 2004 by (\$7,836,744) deficit in net assets.

At September 30, 2004, the District's governmental funds reported fund balance of \$5,362,612. The entire balance of \$5,362,612 is reserved for debt service, capital projects and other items.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's 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.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include general (management) and operations functions.

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. The District has one fund category: governmental 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven 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, debt service Series 2000, 2002 and 2003 funds and the capital projects Series 2000, 2002 and 2003 funds. The general, debt service funds and the capital project funds 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.

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

The District's net assets were (\$7,836,744) deficit at September 30, 2004. Of this amount, (\$12,914,833) deficit was invested in capital assets, net of related debt. The deficit amount was principally due to the District delaying the implementation the reporting of infrastructure assets. The balance of long-term liabilities will be paid off with future assessments. The bonds will paid off with future assessments. The restricted amount of \$5,076,866 represents funds set aside for debt service under the Bond Indenture. The remaining \$1,223 was unrestricted. Our analysis below focuses on the net assets of the District's governmental activities. As noted previously, this is the first year of GASB 34 implementation by the District. As a result, a comparison with prior year data is unavailable. A comparative analysis will be presented in subsequent years.

NET ASSETS SEPTEMBER 30, 2004

Assets, excluding capital assets	\$ 5,696,971
Capital assets, net of depreciation	5,145,660
Total assets	<u>10,842,631</u>
Liabilities, excluding long-term liabilities	673,475
Long-term liabilities	17,815,000
Total liabilities	<u>18,488,475</u>
Net Assets	
Invested in capital assets, net of related debt	(12,914,833)
Restricted for:	
Debt service	5,076,866
Unrestricted	1,223
Total net assets	<u>\$ (7,836,744)</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The results of this year's operations for the District as a whole are reported in the statement of activities. The table in the following section takes the information from that statement and rearranges them so that the reader of this report can see total revenues for the fiscal year ended September 30, 2004.

In the table below, we have presented the key elements for the change in the District's net assets in our governmental activities. As noted previously, this is the first year of GASB 34 implementation by the District. As a result, a comparison with prior year data is unavailable. A comparative analysis will be presented in subsequent years.

CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

Revenues:	
Program revenues	\$ 9,013,098
General revenues	10
Total revenues	<u>9,013,108</u>
Expenses:	
General government	135,744
Maintenance and operations	518,770
Interest	1,367,782
Total expenses	<u>2,022,296</u>
Change in net assets	<u>\$ 6,990,812</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2004 was \$2,022,296. These costs were paid by program revenues consisting primarily of assessments.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District's General Fund includes all activities related to providing management, operational and maintenance services.

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

General government	\$ 148,261	1%
Maintenance and operations	462,285	4%
Bond issue costs	70,557	1%
Capital outlay	2,740,437	22%
Principal and interest on long-term debt	9,152,146	73%
	<u>\$ 12,573,686</u>	<u>100%</u>

As noted above, debt service comprises the majority of expenditures for total governmental activities.

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. There were no amendments to the general fund budget during the fiscal year ended September 30, 2004. The legal level of budgetary control is at the fund level. The General Fund expenditures exceeded budgeted appropriations by \$123,156.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As a part of GASB 34, there is a new reporting requirement regarding the local government's infrastructure. This requirement permits an optional four-year further delay for implementation. The District has elected to delay implementation of the infrastructure-related portion to a subsequent year. GASB 34 requires the reporting of capital assets prospectively, and the District has included as infrastructure in progress \$2,740,437 of costs incurred during the fiscal year ended September 30, 2004. The District has also included land and furniture, fixtures and equipment of \$2,493,159 along with accumulated depreciation of \$87,936. The District has incurred costs of approximately \$26,500,000 related to infrastructure improvements. Certain improvements have been or will be conveyed to other governmental entities.

Capital Debt

At September 30, 2004, the District had \$17,935,000 Bonds outstanding, a decrease of approximately 25% from prior year. The District issued \$1,560,000 of Capital Improvement Revenue Bonds during the fiscal year ended September 30, 2004. 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, taxpayers, 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 Oakstead Community Development District's Finance Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida, 33614.

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 12,827
Assessments receivable	248,386
Accrued interest receivable	4,712
Due from Developer	51,613
Prepays	12,596
Deferred charges	54,388
Restricted assets:	
Temporarily restricted	
Investments	5,312,449
Capital assets:	
Depreciable assets, net of accumulated depreciation	905,223
Land and Infrastructure under construction	4,240,437
Total assets	<u>\$ 10,842,631</u>
LIABILITIES	
Accounts payable	\$ 89,071
Contracts and retainage payable	82,900
Deferred revenue	108,000
Accrued interest payable	464,404
Non-current liabilities:	
Due within one year	120,000
Due in more than one year	17,815,000
Total liabilities	<u>18,679,375</u>
NET ASSETS	
Invested in capital assets, net of related debt	(12,914,833)
Restricted for debt service	5,076,866
Unrestricted	1,223
Total net assets	<u>\$ (7,836,744)</u>

See notes to the financial statements

OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 135,744	\$ -	\$ -	\$ 84,304
Maintenance and operations	518,770	181,690	229,112	79,907
Interest on long-term debt	1,367,782	278,181	-	6,826,591
Total governmental activities	2,022,296	459,871	229,112	6,990,802
General revenues:				
Unrestricted investment earnings				10
Total general revenues				10
Change in net assets				6,990,812
Net assets - beginning (Restated)				(14,827,556)
Net assets - ending				\$ (7,836,744)

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004**

	Major Funds							Total Governmental Funds
	Series 2000 Debt Service	Series 2002 Debt Service	Series 2003 Debt Service	Series 2000 Capital Projects	Series 2002 Capital Projects	Series 2003 Capital Projects		
ASSETS								
Cash	\$ 12,827	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,827
Investments	-	1,843,177	2,348,669	1,097,270	176	17,985	5,172	5,312,449
Due from Developer	51,613	-	-	-	-	-	-	51,613
Assessments receivables	-	89,298	159,088	-	-	-	-	248,386
Accrued interest receivable	-	2,550	2,151	4	4	7	-	4,712
Due from other funds	-	-	54,931	-	-	-	-	54,931
Prepays and other	12,596	-	-	-	-	-	-	12,596
Total assets	\$ 77,036	\$ 1,935,025	\$ 2,564,839	\$ 1,097,270	\$ 180	\$ 17,992	\$ 5,172	\$ 5,697,514

LIABILITIES AND FUND BALANCES

LIABILITIES:								
Accounts payable	\$ 75,813	\$ 596	\$ 337	\$ -	\$ -	\$ 2	\$ 12,323	\$ 89,071
Contracts and retainage payable	-	-	-	-	-	-	-	82,900
Deferred revenue	-	-	-	-	-	-	-	108,000
Due to other funds	-	54,931	-	-	-	-	-	54,931
Total liabilities	\$ 75,813	\$ 55,527	\$ 337	\$ -	\$ -	\$ 190,902	\$ 12,323	\$ 334,902

Fund balances:

Reserved for:								
Debt service	-	1,879,498	2,564,502	1,097,270	-	-	-	5,541,270
Capital projects	-	-	-	-	180	(172,910)	(7,151)	(179,881)
Other	12,596	-	-	-	-	-	-	12,596
Unreserved, reported in:								
General fund	(11,373)	-	-	-	-	-	-	(11,373)
Total fund balances	\$ 1,223	\$ 1,879,498	\$ 2,564,502	\$ 1,097,270	\$ 180	\$ (172,910)	\$ (7,151)	\$ 5,362,612

Total liabilities and fund balances	\$ 77,036	\$ 1,935,025	\$ 2,564,839	\$ 1,097,270	\$ 180	\$ 17,992	\$ 5,172	\$ 5,697,514
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See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE
STATEMENT NET ASSETS
SEPTEMBER 30, 2004**

Amounts reported for governmental activities in the statement of net assets are different because:	\$ 5,362,612
Fund balance - governmental funds	
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 accumulated depreciation, in the assets of the government as a whole.	
Cost of capital assets	5,233,596
Accumulated depreciation	<u>(87,936)</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	5,145,660
Bond issuance costs	70,557
Accumulated amortization	<u>(16,169)</u>
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements.	54,388
All liabilities, both current and long-term, are reported in the government-wide statements.	
Accrued interest payable	(464,404)
Bonds payable	<u>(17,935,000)</u>
Net assets of governmental activities	<u>\$ (7,836,744)</u>

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

	Major Funds							Total Governmental Funds
	Series 2000 Debt Service	Series 2002 Debt Service	Series 2003 Debt Service	Series 2000 Capital Projects	Series 2002 Capital Projects	Series 2003 Capital Projects	Total	
REVENUES								
Maintenance assessments	\$ 407,923	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 407,923
Special assessments	-	3,176,002	3,830,585	909,605	-	-	-	7,916,192
Impact fees	-	-	-	170,879	25,888	15,691	-	212,458
Developer contributions	173,420	133,927	90,521	-	-	-	-	397,868
Miscellaneous	8,270	-	-	-	13,500	-	-	21,770
Interest and other revenues	10	38,843	14,890	2,751	-	403	-	56,897
Total revenues	589,623	3,348,772	3,935,996	909,605	39,388	16,094	16,094	9,013,108
EXPENDITURES								
Current:								
General government	135,744	-	-	-	-	-	-	135,744
Maintenance	462,285	-	-	-	-	-	-	462,285
Debt Service:								
Principal	-	4,675,000	2,970,000	-	-	-	-	7,645,000
Interest	-	705,485	754,341	47,320	-	-	-	1,507,146
Bond issuance costs	-	-	-	-	-	70,557	-	70,557
Other costs	-	5,993	3,308	169	3,047	-	-	12,517
Capital outlay	-	-	-	533,152	929,751	1,277,534	-	2,740,437
Total expenditures	598,029	5,386,478	3,727,649	47,489	932,798	1,348,091	1,348,091	12,573,686

(Continued)

See notes to the financial statements

OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004
(Continued)

	Major Funds							Total Governmental Funds
	Series 2000 Debt Service	Series 2002 Debt Service	Series 2003 Debt Service	Series 2000 Capital Projects	Series 2002 Capital Projects	Series 2003 Capital Projects	Series 2003 Capital Projects	
Excess (deficiency) of revenues over (under) expenditures	(8,406)	208,347	862,116	(359,522)	(893,410)	(1,331,997)	(3,560,578)	
OTHER FINANCING SOURCES								
Bond proceeds	-		235,154		-	1,324,846	1,560,000	
Net change in fund balances	(8,406)	208,347	1,097,270	(359,522)	(893,410)	(7,151)	(2,000,578)	
Fund balances - beginning	9,629	3,917,204	2,356,155	359,702	720,500		7,363,190	
Fund balances - ending	\$ 1,223	\$ 2,564,502	\$ 1,097,270	\$ 180	\$ (172,910)	\$ (7,151)	\$ 5,362,612	

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO 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, 2004**

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

Net change in fund balances - total governmental funds	\$ (2,000,578)
Governmental funds report capital outlays as expenditures, However, in the statement of activities, the cost of those assets are eliminated and capitalized as capital assets.	2,740,437
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities	(43,968)
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.	7,645,000
Proceeds of long term debt are shown as financing sources in the governmental funds, while they are shown as long term debt on the statement of net assets.	(1,560,000)
Governmental funds report the effect of issuance of costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	70,557
Amortization of deferred charges is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(16,169)
The change in accrued interest between September 30, 2004 and 2003 is adjusted on the statement of activities.	<u>155,533</u>
Change in net assets of governmental activities	<u>\$ 6,990,812</u>

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Reporting Entity

Oakstead Community Development District (the "District") was created on October 19, 1999 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Pasco County Ordinance 99-25. 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 on an at large basis by the owners of the property within the District. Ownership of land within the District entitles the owner to one vote per acre. Three of the five Supervisors are affiliated with the Developer "DEVCO IV, LLC". The Developer currently owns a portion of the land within the District. The District is economically dependent on the Developer. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

1. Assessing and levying maintenance taxes and special 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 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.

New Accounting Standards

During the fiscal year ended September 30, 2004, the District adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financials*. As a part of this Statement, there is a new reporting requirement regarding the local government's infrastructure. This requirement permits an optional four-year further delay for implementation. The District has elected to delay implementation of the infrastructure-related portion to a subsequent year.

As a result, the District's government-wide financial statements have been prepared using full accrual accounting for all activities and the statement of net assets includes both noncurrent assets and noncurrent liabilities which were previously recorded in the General Fixed Asset Account Group and the General Long Term Debt Account Group.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

New Accounting Standards (Continued)

The following table summarizes the change in net assets due to the implementation of the new accounting standards:

	<u>Governmental Activities</u>
Total fund balance as previously reported	\$ 7,363,190
Net capital assets	2,449,191
Long term obligations, including accrued interest	<u>(24,639,937)</u>
Net assets, as restated, October 1, 2003	<u>\$ (14,827,556)</u>

In addition, GASB Statement 34 requires that the District include a Management's Discussion and Analysis ("MD&A") section providing an analysis of the District's overall financial activity. The District will continue to provide budgetary comparison information; however, the District is also required to add the original budget to the current comparison of final budget and actual results.

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; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as *general revenues*.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assessments

Maintenance assessments are non-ad valorem assessments on all platted lots within the District. Maintenance assessments are levied each November 1 on property as of the previous January 1. The fiscal year for which assessments are levied begins on October 1 with a maximum discount available for payments through November 30 and becomes delinquent on April 1. The County Tax Collector's Office bills and collects maintenance assessments on behalf of the District.

Special assessments are imposed on each parcel of benefited land within the District in accordance with the Bond Indenture. Certain assessments are collected upon closing on each lot sold and are used to prepay a portion of the Bonds and to pay a portion of the interest owed. The District must also levy and collect additional annual assessments to provide funds for additional debt service on the portion of the Bonds which are not paid for from the prepaid assessments. The fiscal year for which assessments are levied begins on October 1 with a maximum discount available for payments through November 30 and becomes delinquent on April 1. The County Tax Collector's Office also bills and collects special assessments on behalf of 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 Series 2000

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt on the Series 2000 Bonds.

Debt Service Fund Series 2002

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt on the Series 2002 Bonds.

Debt Service Fund Series 2003

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt on the Series 2003 Bonds.

Capital Projects Fund Series 2000

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District financed with the Series 2000 Bonds.

Capital Projects Fund Series 2002

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District financed with the Series 2002 Bonds.

Capital Projects Fund Series 2003

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District financed with the Series 2003 Bonds.

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, then unrestricted resources as they are needed.