

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2005**

**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, Pasco County, Florida (the "District") as of and for the fiscal year ended September 30, 2005, 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 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 and each major fund of the District as of September 30, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and 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 conjunction with this report in considering the results of our audit.

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



September 5, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Oakstead Community Development District, Pasco County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2005. 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 liabilities of the District exceeded its assets at the close of the fiscal year ended September 30, 2005 resulting in a deficit net asset balance of (\$5,007,809).
- The District's total net assets increased by \$2,828,935 in comparison with the prior fiscal year. The key components of the change are reflected in the table in the following section.
- At September 30, 2005, the District's governmental funds reported combined ending fund balances of \$2,225,760, a decrease of \$(3,232,075) in comparison with the prior year. Of the total fund balance, \$2,423,201 is reserved for debt service and other items and the remaining unrestricted balance is a deficit of (\$197,441).

### 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 the general government (management) and maintenance functions.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: governmental funds.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows 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, debt service Series 2000, debt services Series 2002, debt service Series 2003, capital projects Series 2000, capital projects Series 2002, and capital projects series 2003 funds. All of the District's 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

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, liabilities exceeded assets at the close of the fiscal year ended September 30, 2005 resulting in a deficit net asset balance of (\$5,007,809).

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

An additional portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. They are funds set aside for debt service under the Bond Indenture. The remaining balance of unrestricted net assets is a deficit of (\$150,225).

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

NET ASSETS SEPTEMBER 30,		
	2005	Restated 2004
Assets, excluding capital assets	\$ 2,596,693	\$ 5,696,971
Capital assets, net of depreciation	4,868,699	5,050,437
Total assets	<u>7,465,392</u>	<u>10,747,408</u>
Liabilities, excluding long-term liabilities	673,201	649,152
Long-term liabilities	11,800,000	17,935,000
Total liabilities	<u>12,473,201</u>	<u>18,584,152</u>
Net Assets		
Invested in capital assets, net of related debt	(6,919,447)	(12,914,833)
Restricted for debt service	2,061,863	5,076,866
Unrestricted	(150,225)	1,223
Total net assets	<u>\$ (5,007,809)</u>	<u>\$ (7,836,744)</u>

During the fiscal year ended September 30, 2005 management became aware of an error in recording capital outlay in its governmental fund types at September 30, 2004. Accordingly, the District has restated capital assets and related liabilities. There is no restatement required for opening net assets in the government-wide statements. More detailed information about the restatement is presented in the notes of the financial statements.

The District's net assets increased by \$2,828,935 during the fiscal year ended September 30, 2005. Key elements of this increase are as follows:

CHANGES IN NET ASSETS FOR THE FISCAL YEAR END SEPTEMBER 30,		
	2005	2004
Revenues:		
Program revenues	\$ 4,752,398	\$ 9,013,098
General revenues	8,027	10
Total revenues	<u>4,760,425</u>	<u>9,013,108</u>
Expenses:		
General government	181,377	135,744
Maintenance and operations	787,558	518,770
Interest	962,555	1,367,782
Total expenses	<u>1,931,490</u>	<u>2,022,296</u>
Change in net assets	<u>\$ 2,828,935</u>	<u>\$ 6,990,812</u>

Program revenues, comprised primarily of assessments, decreased in comparison with the prior year. The decrease is the result of a decrease in prepaid assessments. As discussed in the notes, certain debt service assessments are collected in advanced and used to prepay a portion of the Bonds outstanding.

## 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 and operating services.

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

	FOR THE FISCAL YEAR END SEPTEMBER 30,			
	2005		2004 As Restated	
General government	\$ 181,377	2%	\$ 148,261	1%
Maintenance and operations	605,820	8%	462,285	4%
Interest and principal on long-term debt	7,205,303	90%	9,152,146	73%
Bond issue costs	-	-	70,557	1%
Capital outlay	-	0%	2,740,437	21%
Total	<u>\$ 7,992,500</u>	<u>100%</u>	<u>\$ 12,573,686</u>	<u>100%</u>

As noted above, debt service comprises the majority of expenditures for total governmental activities in the both the current and prior fiscal year.

During the fiscal year ended September 30, 2005 management became aware of an error in recording capital outlay in its governmental fund types at September 30, 2004. The District has restated the capital project fund financial statements accordingly. There is no restatement required for opening net assets in the government-wide statements. More detailed information about the restatement is presented in the notes of the financial statements.

### 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. As of September 30, 2005 general fund expenditures exceeded appropriations by (\$157,157). The majority of the over expenditures were funded by the proceeds of a bank line of credit.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

Under Governmental Standards Board Statement 34 and related amendments, there is a requirement that certain capital assets be reported. However, the requirement permits certain entities to defer the retroactive reporting of its general infrastructure to a subsequent year. While the District does report its capital assets prospectively, it has elected to defer the retroactive reporting of infrastructure to a subsequent year. At September 30, 2005, the District had \$5,138,373 invested in land, water control systems, security, landscaping, buildings and furniture, fixtures and equipment. In the government-wide statements, accumulated depreciation of \$269,674 has been taken, which resulted in a net book value of \$4,868,699. More detailed information about the District's capital assets is presented in the notes of the financial statements.

#### Capital Debt

At September 30, 2005, the District had \$11,800,000 Bonds outstanding, a decrease of approximately 34% from prior year. In addition, in August 2005 the District executed a line of credit note agreement in the amount of \$350,000. Subsequent to September 30, 2005, the District issued Capital Improvement and Refunding Revenue Bonds consisting of \$6,520,000 Series 2006A-1 and \$5,780,000 Series 2006 A-2. 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 Oakstead Community Development District's Finance Department at 210 N. University Drive, Suite 702, Coral Springs, Florida, 33071.

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2005**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 4,018
Assessments receivable	109,308
Interest receivable	7,524
Prepays and deposits	13,441
Restricted assets:	
Temporarily restricted	
Investments	2,425,653
Deferred charges	36,749
Capital assets:	
Nondepreciable	1,500,000
Depreciable, net	3,368,699
Total assets	7,465,392
<b>LIABILITIES</b>	
Accounts payable	55,684
Accrued interest payable	339,017
Bank line of credit	112,000
Deferred revenue	166,500
Non-current liabilities:	
Due within one year	130,000
Due in more than one year	11,670,000
Total liabilities	12,473,201
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(6,919,447)
Restricted for debt service	2,061,863
Unrestricted	(150,225)
Total net assets	\$ (5,007,809)

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT**  
**PASCO COUNTY, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

Functions/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
General government	\$ 181,377	\$ -	\$ -	\$ -
Maintenance and operations	787,558	437,695	37,511	(312,352)
Interest on long-term debt	962,555	4,025,379	70,436	3,133,260
Total governmental activities	1,931,490	4,644,451	37,511	2,820,908

General revenues:	
Unrestricted investment earnings	8,027
Total general revenues	8,027
Change in net assets	2,828,935
Net assets - beginning	(7,836,744)
Net assets - ending	\$ (5,007,809)

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2005**

	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		
<b>ASSETS</b>								
Cash	\$ 4,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,018
Investments	717,425	1,627,014	11,609	17,253	47,284	5,068		2,425,653
Assessments receivable		37,308						109,308
Interest receivable		7,524						7,524
Prepays and deposits								13,441
<b>Total assets</b>	<b>\$ 89,459</b>	<b>\$ 1,671,846</b>	<b>\$ 11,609</b>	<b>\$ 17,253</b>	<b>\$ 47,284</b>	<b>\$ 5,068</b>	<b>\$</b>	<b>\$ 2,559,944</b>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>								
Accounts payable	\$ 55,684	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,684
Bank line of credit	112,000							112,000
Deferred revenue	72,000				94,500			166,500
<b>Total liabilities</b>	<b>239,684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,500</b>	<b>-</b>	<b>-</b>	<b>334,184</b>

**Fund balances:**

Reserved for:								
Debt service	717,425	1,671,846	11,609	17,253		5,068		2,400,880
Capital projects								22,321
Unreserved, reported in:								
General fund	(150,225)				(47,216)			(197,441)
<b>Total fund balances (deficit)</b>	<b>(150,225)</b>	<b>1,671,846</b>	<b>11,609</b>	<b>17,253</b>	<b>(47,216)</b>	<b>5,068</b>	<b>-</b>	<b>2,225,760</b>
<b>Total liabilities and fund balances</b>	<b>\$ 89,459</b>	<b>\$ 1,671,846</b>	<b>\$ 11,609</b>	<b>\$ 17,253</b>	<b>\$ 47,284</b>	<b>\$ 5,068</b>	<b>\$</b>	<b>\$ 2,559,944</b>

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT  
PASCO COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2005**

Amounts reported for governmental activities in the statement of net assets are different because:	\$ 2,225,760
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 net assets of the government as a whole.	
Cost of capital assets	5,138,373
Accumulated depreciation	<u>(269,674)</u>
Bond issue costs are not financial resources and, therefore are not reported as assets in the governmental funds. The statements of net assets includes these costs, net of amortization.	4,868,699
Bond issue costs	70,557
Accumulated amortization	<u>(33,808)</u>
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 statements.	36,749
Accrued interest payable	(339,017)
Bonds payable	<u>(11,800,000)</u>
Net assets of governmental activities	<u>\$ (5,007,809)</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, 2005**

	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		
<b>REVENUES</b>								
Assessments	\$ 619,072	\$ 715,233	\$ 2,801,139	\$ 509,007	\$ -	\$ -	\$ -	\$ 4,644,451
Impact fees					22,572			22,572
Franchise revenue					13,500			13,500
Interest	8,027	17,028	42,436	10,972	496	154	154	79,902
Total revenues	627,099	732,261	2,843,575	519,979	36,861	154	154	4,760,425
<b>EXPENDITURES</b>								
Current:								
General government	172,727	2,173	1,971	3,566	682	258	258	181,377
Maintenance and operations	605,820							605,820
Debt Service:								
Principal		1,420,000	3,165,000	1,550,000				6,135,000
Interest		452,018	562,645	55,640				1,070,303
Total expenditures	778,547	1,874,191	3,729,616	1,605,640	682	258	258	7,992,500
Excess (deficiency) of revenues over (under) expenditures	(151,448)	(1,141,930)	(886,041)	(1,085,661)	36,179	(104)	(104)	(3,232,075)
<b>OTHER FINANCING SOURCES</b>								
Transfer in					6,615			26,758
Transfer out		(20,143)	(6,615)	20,143				(26,758)
		(20,143)	(6,615)	20,143	6,615			
Net change in fund balances	(151,448)	(1,162,073)	(892,656)	(1,085,661)	42,794	(104)	(104)	(3,232,075)
Fund balances - beginning (restated)	1,223	1,879,498	2,564,502	1,097,270	(90,010)	5,172	5,172	5,457,835
Fund balances (deficit) - ending	\$ (150,225)	\$ 717,425	\$ 1,671,846	\$ 11,609	\$ (47,216)	\$ 5,068	\$ 5,068	\$ 2,225,760

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, 2005**

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

Net change in fund balances - total governmental funds	\$ (3,232,075)
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(181,738)
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.	6,135,000
The change in accrued interest on long-term liabilities between the current and prior fiscal year and the amortization of deferred charges is recorded in the statement of activities but not in the fund financial statements.	<u>107,748</u>
Change in net assets of governmental activities	<u><u>\$ 2,828,935</u></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 ("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. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2005 certain Board members are affiliated with DEVCO IV, LLC ("Developer"). In addition, the Developer owns a portion of the land and the District is economically dependent on the Developer.

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

**Government-Wide and Fund Financial Statements**

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; 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*.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (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 as of the previous January 1. Certain assessments are collected upon closing on each lot sold and are used to prepay a portion of the Bonds outstanding. In addition, annual assessments are levied and collected to provide funds for the debt service on the portion of the Bonds which are not paid for from the prepaid assessments and to pay for the operations and maintenance 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.

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 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 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 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.

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

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

#### 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.

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

#### Restricted Assets

These assets represent cash and investments set aside pursuant to bond covenants.

#### 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. Any unspent Bond proceeds are required to be held in investments allowed in the Bond indenture.

Investments are stated at fair value.

The District records all interest revenue related to investment activities in the respective funds.

#### 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.

#### Deferred Charges

In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling \$70,557. In the government-wide statements that amount has been capitalized and amortized over the estimated life of the Bonds.