

**BAHIA LAKES  
COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2009**

**BAHIA LAKES COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Bahia Lakes Community Development District  
Hillsborough County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Bahia Lakes Community Development District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2009, 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 May 27, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and 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.

  
May 27, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net asset balance of \$1,158,388.
- The change in the District's total net assets in comparison with the prior year was \$97,665, an increase. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2009, the District's governmental funds reported combined ending fund balances of \$358,757, an increase of \$96,484 in comparison with the prior year. A portion of fund balance is reserved for debt service, capital projects and other items, and the remainder is unreserved fund balance which is available for spending at the District's discretion.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is 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.

The government-wide financial statements distinguish functions of the District that are principally supported by 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.

#### 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 attributed to one 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 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 three 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 fund and capital projects fund. All 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, assets exceeded liabilities at the close of the most recent fiscal year.

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

	NET ASSETS	
	SEPTEMBER 30,	
	Governmental Activities	
	2009	2008
Assets, excluding capital assets	\$ 515,144	\$ 424,960
Capital assets, net of depreciation	3,547,323	3,581,415
Total assets	4,062,467	4,006,375
Liabilities, excluding long-term liabilities	69,079	70,652
Long-term liabilities	2,835,000	2,875,000
Total liabilities	2,904,079	2,945,652
Net Assets		
Invested in capital assets, net of related debt	880,746	706,415
Restricted for debt service	123,488	98,595
Unrestricted	154,154	255,713
Total net assets	\$ 1,158,388	\$ 1,060,723

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

A portion of the District's net assets reflects an 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 landowners; 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. They are funds set aside for debt service under the Bond Indenture. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

The District's net assets increased during the most recent fiscal year. The majority of the increase represents the extent to which assessment revenue exceeded the cost of operations and depreciation expense.

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	
		2009	2008
Revenues:			
Program revenues			
Charges for services	\$	512,364	\$ 474,047
Operating grants and contributions		615	5,236
Capital grants and contributions		35	341,272
General revenues		(450)	2,246
Total revenues		512,564	822,801
Expenses:			
General government		68,333	78,157
Physical environment		185,151	166,372
Interest on long-term debt		161,415	157,958
Total expenses		414,899	402,487
Change in net assets		97,665	420,314
Net assets - beginning		1,060,723	640,409
Net assets - ending	\$	1,158,388	\$ 1,060,723

Program revenues of the District are comprised primarily of assessments for the current fiscal year while in the prior fiscal year, a substantial portion of program revenues were comprised of Developer contributions to the capital projects fund for capital assets.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30,					
	2009		2008		
General government	\$	68,333	17%	\$ 72,522	18%
Physical environment		151,059	36%	137,963	34%
Interest and principal on long-term debt		196,688	47%	198,867	48%
Total	\$	416,080	100%	\$ 409,352	100%

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

## 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. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2009.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2009, the District had \$3,621,185 invested in infrastructure and improvements, for its governmental activities. In the government-wide financial statements, depreciation of \$73,862 has been taken, which resulted in a net book value of \$3,547,323. More detailed information about the District's capital assets is presented in the notes to the financial statements.

### Capital Debt

At September 30, 2009, the District had \$2,835,000 in Bonds outstanding for its governmental activities, a decrease of approximately 1% from prior year. More detailed information about the District's debt is presented in the accompanying notes to 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 Bahia Lakes Community Development District's Finance Department at 3434 Colwell Avenue, Suite 200, Tampa Florida, 33614.

## **FINANCIAL STATEMENTS**



**BAHIA LAKES COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 149,212
Investments	2,691
Prepays and deposits	6,952
Accrued interest receivable	1
Deferred charges	151,686
Restricted assets:	
Temporarily restricted	
Investments	204,602
Capital assets	
Non-depreciable assets	2,996,204
Depreciable assets, net	<u>551,119</u>
Total assets	<u>4,062,467</u>
 <b>LIABILITIES</b>	
Accounts payable	4,701
Accrued interest payable	64,378
Non-current liabilities:	
Due within one year	45,000
Due in more than one year	<u>2,790,000</u>
Total liabilities	<u>2,904,079</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	880,746
Restricted for debt service	123,488
Unrestricted	<u>154,154</u>
Total net assets	<u>\$ 1,158,388</u>

See notes to the financial statements

**BAHIA LAKES COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 68,333	\$ 68,333	\$ -	\$ -	\$ -
Physical environment	185,151	242,056	-	35	56,940
Interest on long-term debt	161,415	201,975	615	-	41,175
Total governmental activities	<u>414,899</u>	<u>512,364</u>	<u>615</u>	<u>35</u>	<u>98,115</u>
General revenues:					
Unrestricted investment earnings					(450)
Total general revenues					<u>(450)</u>
Change in net assets					97,665
Net assets - beginning					1,060,723
Net assets - ending					<u><u>\$ 1,158,388</u></u>

See notes to the financial statements

**BAHIA LAKES COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Project	
<b>ASSETS</b>				
Cash	\$ 149,212	\$ -	\$ -	\$ 149,212
Investments	2,691	187,865	16,737	207,293
Accrued interest receivable	-	1	-	1
Prepays and deposits	6,952	-	-	6,952
Total assets	<u>\$ 158,855</u>	<u>\$ 187,866</u>	<u>\$ 16,737</u>	<u>\$ 363,458</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 4,701	\$ -	\$ -	\$ 4,701
Total liabilities	<u>4,701</u>	<u>-</u>	<u>-</u>	<u>4,701</u>
Fund balances:				
Reserved for:				
Debt service	-	187,866	-	187,866
Capital projects	-	-	16,737	16,737
Other	6,952	-	-	6,952
Unreserved:				
Undesignated	147,202	-	-	147,202
Total fund balances	<u>154,154</u>	<u>187,866</u>	<u>16,737</u>	<u>358,757</u>
Total liabilities and fund balances	<u>\$ 158,855</u>	<u>\$ 187,866</u>	<u>\$ 16,737</u>	<u>\$ 363,458</u>

See notes to the financial statements

**BAHIA LAKES COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET-  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

Fund balance - governmental funds		\$ 358,757
Amounts reported for governmental activities in the statement of net assets are different because:		
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 in the net assets of the government as a whole.		
Cost of capital assets	3,621,185	
Accumulated depreciation	<u>(73,862)</u>	3,547,323
Bond issuance costs are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net assets includes these costs, net of amortization.		
Bond issuance costs	169,060	
Accumulated amortization	<u>(17,374)</u>	151,686
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.		
Accrued interest payable	(64,378)	
Bonds payable	<u>(2,835,000)</u>	<u>(2,899,378)</u>
Net assets of governmental activities		<u><u>\$ 1,158,388</u></u>

See notes to the financial statements

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

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Project	
<b>REVENUES</b>				
Assessments	\$ 310,389	\$ 201,975	\$ -	\$ 512,364
Interest and other revenues	(450)	615	35	200
Total revenues	<u>309,939</u>	<u>202,590</u>	<u>35</u>	<u>512,564</u>
<b>EXPENDITURES</b>				
Current:				
General government	68,333	-	-	68,333
Physical environment	151,059	-	-	151,059
Debt Service:				
Principal	-	40,000	-	40,000
Interest	-	156,688	-	156,688
Total expenditures	<u>219,392</u>	<u>196,688</u>	<u>-</u>	<u>416,080</u>
Excess (deficiency) of revenues over (under) expenditures	90,547	5,902	35	96,484
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	25	3,134	3,159
Transfer out	-	(3,134)	(25)	(3,159)
Total other financing sources (uses)	<u>-</u>	<u>(3,109)</u>	<u>3,109</u>	<u>-</u>
Net change in fund balances	90,547	2,793	3,144	96,484
Fund balances - beginning	<u>63,607</u>	<u>185,073</u>	<u>13,593</u>	<u>262,273</u>
Fund balances - ending	<u>\$ 154,154</u>	<u>\$ 187,866</u>	<u>\$ 16,737</u>	<u>\$ 358,757</u>

See notes to the financial statements

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

Net change in fund balances - total governmental funds	\$ 96,484
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(34,092)
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.	40,000
Amortization of deferred charges is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(5,635)
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.	908
Change in net assets of governmental activities	<u>\$ 97,665</u>

See notes to the financial statements

**BAHIA LAKES COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS**

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

**Reporting Entity**

Bahia Lakes Community Development District ("District") was established on February 24, 2006 by Ordinance No. 06-5 of Hillsborough 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 ("the 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. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2009, all Board members are affiliated with The Ryland Group, Inc., (the Developer). The Developer currently owns the majority of the land within the District; therefore, 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. Operating-type special assessments for maintenance and debt service are treated as charges for services. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

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

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

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

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

### **Assessments**

Assessments, including debt service assessments and operations and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefitted by the District's activities. Assessments are levied by the District prior to the start of the fiscal year which begins October 1<sup>st</sup> and ends on September 30<sup>th</sup>. Operation and maintenance special assessments are imposed upon all benefitted lands in the District. Debt service special assessments are imposed upon certain lots and lands described in each resolution imposing the special assessment for each series of Bonds issued by 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 District.

The government 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.

### **Capital Project Fund**

The capital project fund is used to account for financial resources to be used for the acquisition or construction of major infrastructure within the District.

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.



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

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

#### Deposits and Investments

The District's cash on hand and demand deposits are considered to be cash and cash equivalents.

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.

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.

#### 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>
Stormwater management	25
Entry parcel/ landscaping and walls	15

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.

#### Deferred Charges

In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling \$169,060. In the government-wide financial statements, that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2009, the District reported accumulated amortization of \$17,374.

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

### 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 over the life of the Bonds using the straight line method, which does not result in a material difference from the effective interest method. Bonds payable are reported net of applicable premiums or discounts.

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

### Fund Equity/Net Assets

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

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

### Other Disclosures

#### Use of Estimates

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

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

### Budgetary Information

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

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

- a) Each year, the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain 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 appropriations for annually budgeted funds lapse at the end of the year.

### NOTE 3 – DEPOSITS AND INVESTMENTS

#### Cash

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

#### Investments

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

	Fair Value	Credit Risk	Maturities
First American Treasury Obligations CL Z	\$ 204,719	S&P AAAM	Weighted average of the fund portfolio: 47 days
Local Government Surplus Trust Funds Investment Pool - Fund A	319	S&P AAAM	Weighted average of the fund portfolio: 33 days
Local Government Surplus Trust Funds Investment Pool - Fund B	2,255	Not rated	6.69 years
Total Investments	<u>\$ 207,293</u>		

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

*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.

The Bond indenture limits the type of investments held using unspent Bond proceeds.

### NOTE 4 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2009 were as follows:

Fund	Transfer in	Transfer out
Debt service	\$ 25	\$ 3,134
Capital projects	3,134	25
Total	<u>\$ 3,159</u>	<u>\$ 3,159</u>

The current year transfer moved funds from the reserve account to the deferred cost account in the capital projects fund.

## NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Infrastructure under construction	\$ 2,996,204	\$ -	\$ -	\$ 2,996,204
Total capital assets, not being depreciated	2,996,204	-	-	2,996,204
Capital assets, being depreciated				
Stormwater management	284,021	-	-	284,021
Entry parcel/landscaping/walls	340,960	-	-	340,960
Total capital assets, being depreciated	624,981	-	-	624,981
Less accumulated depreciation for:				
Stormwater management	22,722	11,361	-	34,083
Entry parcel/landscaping/walls	17,048	22,731	-	39,779
Total accumulated depreciation	39,770	34,092	-	73,862
Total capital assets, being depreciated, net	585,211	(34,092)	-	551,119
Governmental activities capital assets, net	\$ 3,581,415	\$ (34,092)	\$ -	\$ 3,547,323

The infrastructure intended to serve the District has been estimated at a total cost of approximately \$9,577,000. The infrastructure will include roadways, stormwater management facilities, wastewater facilities and entry landscaping. Approximately \$2,460,490 will be funded with proceeds of the Bonds and the remainder of the project, as well as any additional infrastructure, is to be funded by the Developer. In the prior year, infrastructure improvements totaling approximately \$341,000 were contributed by the Developer. In the current year, there were no Developer contributions. The infrastructure improvements for phases 1, 2 and 3 were completed. Certain assets within the phases have been conveyed. Phase 4 of the project has been placed on hold.

In connection with the 2006 project, the District established a deferred cost investment account reported in the capital projects fund. In the event there are excess 2006 reserves, the funds are to be transferred from the debt service to the capital projects fund and used to repay funds advanced for the project or for the purchase of additional components. However, if funds in the account are not needed for that purpose, they are to be transferred to the debt service fund and used to redeem outstanding related debt. At September 30, 2009, there is a balance of \$7,756 in the deferred cost account. The District has not yet determined if a liability exists for deferred costs.

## NOTE 6 – LONG-TERM LIABILITIES

On September 1, 2006, the District issued \$2,915,000 of Capital Improvement Revenue Bonds, Series 2006 due on May 1, 2037 with a fixed interest rate of 5.45%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. 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, 2008 through May 1, 2037.

The Bonds are subject to redemption at the option of the District prior to maturity. The Bonds are also subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occur as outlined in the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. In addition, the Bond Indenture has certain 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 was in compliance with the requirements at September 30, 2009.

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2006	\$ 2,875,000	\$ -	\$ 40,000	\$ 2,835,000	\$ 45,000
Total	<u>\$ 2,875,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 2,835,000</u>	<u>\$ 45,000</u>

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

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2010	\$ 45,000	\$ 154,508	\$ 199,508
2011	45,000	152,055	197,055
2012	50,000	149,603	199,603
2013	50,000	146,878	196,878
2014	55,000	144,153	199,153
2015-2019	325,000	671,985	996,985
2020-2024	425,000	573,613	998,613
2025-2029	560,000	443,903	1,003,903
2030-2034	735,000	273,318	1,008,318
2035-2037	545,000	60,223	605,223
Total	<u>\$ 2,835,000</u>	<u>\$ 2,770,239</u>	<u>\$ 5,605,239</u>

## NOTE 7 – DEVELOPER TRANSACTIONS

The Developer owns a portion of the land within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on those lots owned by the Developer.

## NOTE 8 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting 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 9 – 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.

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

	Budgeted Amounts <u>Original &amp; Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Assessments	\$ 307,465	\$ 310,389	\$ 2,924
Interest and other revenues	-	(450)	(450)
Total revenues	<u>307,465</u>	<u>309,939</u>	<u>2,474</u>
<b>EXPENDITURES</b>			
Current:			
General government	79,525	68,333	11,192
Physical environment	227,940	151,059	76,881
Total expenditures	<u>307,465</u>	<u>219,392</u>	<u>88,073</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	90,547	<u>\$ 90,547</u>
Fund balance - beginning		<u>63,607</u>	
Fund balance - ending		<u>\$ 154,154</u>	

See notes to required supplementary information

**BAHIA LAKES COMMUNITY DEVELOPMENT DISTRICT  
HILLSBOROUGH 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 the budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2009.

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

To the Board of Supervisors  
Bahia Lakes Community Development District  
Hillsborough County, Florida

We have audited the financial statements of the governmental activities and each major fund of Bahia Lakes Community Development District, Hillsborough County, Florida ("District") as of and for the fiscal year ended September 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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


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

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

Compliance and Other Matters

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

This report is intended for the information and use of the management, Board of Supervisors of Bahia Lakes Community Development District, Hillsborough 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

  
May 27, 2010



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

To the Board of Supervisors  
Bahia Lakes Community Development District  
Hillsborough County, Florida

We have audited the accompanying basic financial statements of Bahia Lakes Community Development District, Hillsborough County, Florida (the "District") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated May 27, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United 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.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated May 27, 2010. Disclosures in that report should be considered in conjunction with this management letter.

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

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

This report is intended for the information of the management, Board of Supervisors of the District 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 the District 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.



May 27, 2010

## **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, 2008.

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

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

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

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

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

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

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
- b. Control deficiencies that are not significant deficiencies.

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

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2009 financial audit report.

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

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.