

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
CITY OF BONITA SPRINGS, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2006**

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
CITY OF BONITA SPRINGS, FLORIDA**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet - Governmental Funds	8
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to the Financial Statements	12 - 19
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	20
Notes to Required Supplementary Information	21
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	22
MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	23 - 24



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Parklands Lee Community Development District
City of Bonita Springs, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Parklands Lee Community Development District, City of Bonita Springs, Florida (the "District") as of and for the fiscal year ended September 30, 2006, 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, 2006, and the respective changes in financial position thereof for the fiscal year ended September 30, 2006 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 31, 2007, 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 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.


May 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Parklands Lee Community Development District, City of Bonita Springs, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2006. 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 fiscal year ended September 30, 2006 resulting in a net assets balance of \$5,062,033. Of this amount, \$68,061 is unrestricted net assets which may be used to meet the District's ongoing obligations.
- The District's total net assets increased by \$1,419,524 in comparison with the prior year. The key components of the District's net assets and change in net assets are reflected in the table in the following section.
- At September 30, 2005, the District's governmental funds reported combined ending fund balances of \$1,462,816, a decrease of \$(3,855,644) in comparison with the prior year. Of the total fund balance, \$1,394,755 is reserved for debt service and \$68,061 is unreserved, undesignated fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

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

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 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 of the 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 by \$5,062,033 (net assets) at the close of the fiscal year ended September 30, 2006.

At September 30, 2006 the largest portion of the District's net assets is \$3,867,360 which reflects investment in capital assets less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The additional portion of the District's net assets \$1,126,612 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Key elements of the net assets are as follows:

	NET ASSETS SEPTEMBER 30,	
	2006	2005
Assets, excluding capital assets	\$ 1,891,031	\$ 5,758,035
Capital assets, net of depreciation	15,048,666	15,302,000
Total assets	16,939,697	21,060,035
Liabilities, excluding long-term liabilities	268,322	384,515
Long-term liabilities	11,609,342	17,033,011
Total liabilities	11,877,664	17,417,526
Net Assets		
Invested in capital assets, net of related debt	3,867,360	629,798
Restricted for debt service	1,126,612	3,012,711
Unrestricted	68,061	-
Total net assets	\$ 5,062,033	\$ 3,642,509

The results of the District's operations as a whole are reported in the statement of activities. The table in the following section takes the information from that statement and rearranges it so that the reader of this report can see total revenues.

	CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2006	2005
Revenues:		
Program revenues	\$ 2,558,018	\$ 4,664,188
General revenues	2,718	-
Total revenues	2,560,736	4,664,188
Expenses:		
General government	339,253	252,618
Interest	801,959	769,059
Total expenses	1,141,212	1,021,677
Change in net assets	\$ 1,419,524	\$ 3,642,511

Program revenues are comprised of assessments and Developer contributions, which decreased by \$2,106,170 from prior year. The majority of the decreased is the result of a decrease in lot sales within the District.

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 ENDED SEPTEMBER 30,			
	2006		2005	
General government	\$ 85,919	1%	\$ 62,618	0%
Bond issue costs	-	0%	450,564	2%
Interest and principal on long-term debt	6,330,461	99%	3,537,220	18%
Capital outlay	-	0%	15,492,000	80%
Total	\$ 6,416,380	100%	\$ 19,542,402	100%

As noted above, debt service comprised the majority of expenditures for total governmental activities for the current year and capital outlay comprised the majority of expenditures for total governmental activities for the prior year.

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2006, the District had \$15,492,000 invested in land and infrastructure. At the entity-wide level accumulated depreciation of \$443,334 has been taken, which resulted in a net book value of \$15,048,666. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2006, the District had \$11,660,000 Bonds outstanding, a decrease of approximately 32% from prior year. 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 Parklands Lee Community Development District's Finance Department at 6131 Lyons Road, Suite 100, Coconut Creek, Florida 33073.

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
CITY OF BONITA SPRINGS, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006**

	Governmental Activities
ASSETS	
Cash	\$ 68,428
Due from Developer	12,440
Interest receivable	7,000
Other receivable	417
Restricted assets:	
Temporarily restricted	
Investments	1,374,710
Deferred charges	428,036
Capital assets:	
Nondepreciable	7,892,000
Depreciable, net	7,156,666
Total assets	16,939,697
 LIABILITIES	
Accounts payable	179
Accrued interest payable	268,143
Non-current liabilities:	
Due within one year	95,000
Due in more than one year	11,514,342
Total liabilities	11,877,664
 NET ASSETS	
Invested in capital assets, net of related debt	3,867,360
Restricted for debt service	1,126,612
Unrestricted	68,061
Total net assets	\$ 5,062,033

See notes to the financial statements

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
CITY OF BONITA SPRINGS, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

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	\$ 339,253	\$ 100,225	\$ -	(205,405)
Maintenance and operations	-	-	38,449	38,449
Interest on long-term debt	801,959	323,262	-	1,583,762
Total governmental activities	1,141,212	423,487	38,449	1,416,806

General revenues:	
Unrestricted investment earnings	2,718
Total general revenues	2,718
Change in net assets	1,419,524
Net assets - beginning	3,642,509
Net assets - ending	\$ 5,062,033

See notes to the financial statements

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
CITY OF BONITA SPRINGS, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006**

	Major Funds		Total Governmental Funds
	General	Debt Service	
ASSETS			
Cash	\$ 68,428	\$ -	\$ 68,428
Investments	-	1,374,710	1,374,710
Due from other funds	-	12,963	12,963
Interest receivable	-	7,000	7,000
Due from Developer	12,440	-	12,440
Other receivables	335	82	417
Total assets	<u>\$ 81,203</u>	<u>\$ 1,394,755</u>	<u>\$ 1,475,958</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 179	\$ -	\$ 179
Due to other funds	12,963	-	12,963
Total liabilities	<u>13,142</u>	<u>-</u>	<u>13,142</u>
Fund balances:			
Reserved for:			
Debt service		1,394,755	1,394,755
Unreserved, reported in:			
Unreserved, undesignated	68,061		68,061
Total fund balances	<u>68,061</u>	<u>1,394,755</u>	<u>1,462,816</u>
Total liabilities and fund balances	<u>\$ 81,203</u>	<u>\$ 1,394,755</u>	<u>\$ 1,475,958</u>

See notes to the financial statements

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
CITY OF BONITA SPRINGS, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006**

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

Fund balance - governmental funds		\$ 1,462,816
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets of the government as a whole.		
Cost of capital assets	15,492,000	
Accumulated depreciation	<u>(443,334)</u>	15,048,666
Bond issue costs and original issue discount 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.		
Bond Issue Costs	450,564	
Accumulated amortization	<u>(22,528)</u>	428,036
Liabilities not due and payable from current available resources not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.		
Accrued interest payable	(268,143)	
Bonds payable	<u>(11,609,342)</u>	<u>(11,877,485)</u>
Net assets of governmental activities		<u>\$ 5,062,033</u>

See notes to the financial statements

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
CITY OF BONITA SPRINGS, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FICAL YEAR ENDED SEPTEMBER 30, 2006**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES				
Developer contributions	\$ 100,225	\$ 212,087	\$ -	\$ 312,312
Assessments	33,623	2,062,459	-	2,096,082
Interest	2,718	111,175	38,449	152,342
Total revenues	136,566	2,385,721	38,449	2,560,736
EXPENDITURES				
Current:				
General government	68,505	17,414		85,919
Debt Service:				
Principal		5,425,000		5,425,000
Interest		905,461		905,461
Total expenditures	68,505	6,347,875	-	6,416,380
Excess (deficiency) of revenues over (under) expenditures	68,061	(3,962,154)	38,449	(3,855,644)
OTHER FINANCING SOURCES (USES)				
Transfer in / (out)	-	1,959,958	(1,959,958)	-
Total other financing sources (uses)	-	1,959,958	(1,959,958)	-
Net change in fund balances	68,061	(2,002,196)	(1,921,509)	(3,855,644)
Fund balances - beginning	-	3,396,951	1,921,509	5,318,460
Fund balances - ending	\$ 68,061	\$ 1,394,755	\$ -	\$ 1,462,816

See notes to the financial statements

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
CITY OF BONITA SPRINGS, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2006**

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

Net change in fund balances - total governmental funds	\$ (3,855,644)
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(253,334)
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.	5,425,000
Amortization of deferred charges and original issue discount is not recognized in the governmental fund statement but is reported as an expense in the statement of activities	(12,597)
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.	<u>116,099</u>
Change in net assets of governmental activities	<u><u>\$ 1,419,524</u></u>

See notes to the financial statements

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
CITY OF BONITA SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Parklands Lee Community Development District (the "District"), was created by City of Bonita Springs Ordinance 04-06 enacted on May 6, 2004 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. At September 30, 2006, all of the Board members are affiliated with the Ronto Developments Parklands, Inc., (the "Developer"). The Developer and affiliated entities own 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 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 POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity

Deposits and Investments (Continued)

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.

<u>Assets</u>	<u>Years</u>
Infrastructure	30

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.

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 effective interest method. Bonds payable are reported net of premiums or discounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize Bond 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 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.

NOTE 3- CASH AND INVESTMENTS

Cash

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

Investments

The District's investments were held as follows at September 30, 2006:

	Fair Value	Credit Risk	Maturities
Cash Management Accounts	\$ 885,690	S&P AAAm	Average of the fund portfolio: 23 days
Federal Home Loan Bond	489,020	AAA	January 26, 2007
Total Investments	\$ 1,374,710		

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 in the mutual funds are not evidenced by securities that exist in physical or book entry form. The Federal Home Loan investment is held by the trustee or agent but not in the District's name.

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 investments above are held by the debt service fund for unspent debt proceeds. The Bond Indenture limits the type of investments held using unspent proceeds.

NOTE 4 – DEFERRED CHARGES

In connection with the issuance of long-term debt discussed in Note 6, the District incurred costs totaling \$503,888, which includes \$53,324 representing original issue discount on the Bond. In the government-wide statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2006 the District reported accumulated amortization of \$22,528.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2006, is as follows:

Fund	Due from	Due to
General fund	\$ -	\$ 12,963
Debt service fund	12,963	
Total	\$ 12,963	\$ 12,963

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund transfers for the fiscal year ended September 30, 2006 were as follows:

Fund	Transfer in	Transfer out
Debt service fund	\$ 1,959,958	\$ -
Capital projects fund	-	1,959,958
Total	\$ 1,959,958	\$ 1,959,958

The transfer was for excess funds in the capital projects fund which were transferred to the debt service fund in accordance with the Bond Indenture.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 5,202,000	\$ -	\$ -	\$ 5,202,000
Improvements under construction	2,690,000	-	-	2,690,000
Total capital assets, not being depreciated	7,892,000	-	-	7,892,000
Capital assets, being depreciated				
Infrastructure - storm water management	6,233,094	-	-	6,233,094
Infrastructure - roadways	1,366,906	-	-	1,366,906
Total capital assets, being depreciated	7,600,000	-	-	7,600,000
Less accumulated depreciation for:				
Infrastructure - storm water management	155,827	207,770	-	363,597
Infrastructure - roadways	34,173	45,564	-	79,737
Total accumulated depreciation	190,000	253,334	-	443,334
Total capital assets, being depreciated, net	7,410,000	(253,334)	-	7,156,666
Governmental activities capital assets, net	\$ 15,302,000	\$ (253,334)	\$ -	\$ 15,048,666

The total projected cost of the infrastructure improvements has been estimated at approximately \$17.3 million, the amount is to be funded with the issuance of Bond Series 2005 mentioned at Note 7 – Long Term Liabilities. All of the capital assets were acquired from the Developer in accordance with the Acquisition Agreement.

NOTE 7 - LONG TERM LIABILITIES

On December 15, 2004 the District issued \$20,250,000 of Special Assessment Bonds consisting of \$6,900,000 Series A, due May 1, 2035 with a fixed interest of 5.8% and \$13,350,000 Series B, due May 1, 2011, with a fixed interest rate of 5.125%. The Bonds were issued to provide funds to finance the cost of acquisition, construction, installation and equipping of the 2005 project, pay certain costs associated with the issuance of the 2005 Bonds, pay a portion of the interest to become due on the 2005 Bonds, and fund the 2005 Reserve account. Interest is to be paid semiannually on each May 1 and November 1. Principal on the 2005A Bonds is to be paid serially commencing May 1, 2006 through May 1, 2035. Principal on the 2004B Bonds is payable in one lump sum on November 1, 2011.

The Series 2005A Bonds are subject to optional redemption at the option of the District prior to maturity, in whole or in part, on any Interest Payment Date on or after May 1, 2012 at the respective Redemption Price. The Series 2005B Bonds are not subject to redemption prior to maturity at the option of the District.

The Series 2005A and 2005B Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the fiscal year ended September 30, 2006 as the District collected prepayments and prepaid \$5,335,000 of the Bonds. See Note 11 – Subsequent Event for additional call amount subsequent to year end.

NOTE 7 - LONG TERM LIABILITIES (Continued)

The Bond Indenture established a Debt Service Reserve Requirement in the Reserve Fund, which is included in the Debt Service Fund. The requirement was met as of September 30, 2006.

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 is in compliance with the requirements of the Bond Indenture.

Changes in long-term liability activity for the fiscal year ended September 30, 2006 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2005A	\$ 6,900,000	\$ -	\$ 90,000	\$ 6,810,000	\$ 95,000
Series 2005B	10,185,000	-	5,335,000	4,850,000	
Less: Original issue discount	(51,991)	-	(1,333)	(50,658)	
Total	\$ 17,033,009	\$ -	\$ 5,423,667	\$ 11,609,342	\$ 95,000

At September 30, 2006, the scheduled debt service requirements on the long - term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2007	\$ 95,000	\$ 643,543	\$ 738,543
2008	100,000	638,033	738,033
2009	105,000	632,233	737,233
2010	115,000	626,143	741,143
2011	4,970,000	619,473	5,589,473
2012 - 2016	710,000	1,742,320	2,452,320
2017 - 2021	950,000	1,509,450	2,459,450
2022 - 2026	1,250,000	1,202,050	2,452,050
2027-2031	1,655,000	794,890	2,449,890
2032-2035	1,710,000	255,200	1,965,200
Total	\$ 11,660,000	\$ 8,663,335	\$ 20,323,335

NOTE 8- DEVELOPER TRANSACTIONS

The Developer has agreed to fund the general operations of the District. In connection with that agreement, Developer contributions for the general fund were \$100,225, of which \$12,440 is due from the Developer at September 30, 2006.

The Developer has also agreed to fund the debt service on the Bonds which is not paid through special or prepaid assessments. During the fiscal year ended September 30, 2006 the Developer contributed \$212,087 to the Debt Service Fund. Subsequent to September 30, 2006 the Developer contributed \$107,298 for debt service payments.

NOTE 9- MANAGEMENT COMPANY

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

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to year end, the District prepaid \$135,000 of the Series 2005B Bonds as allowed in the Bond Indenture.

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
CITY OF BONITA SPRINGS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u> Original & Final	<u>Actual</u> Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Developer contributions	\$ 86,479	\$ 100,225	\$ 13,746
Assessment	21,844	33,623	11,779
Interest	-	2,718	2,718
Total revenues	<u>108,323</u>	<u>136,566</u>	<u>28,243</u>
EXPENDITURES			
Current:			
General government	107,573	68,505	39,068
Capital outlay	750	-	750
Total expenditures	<u>108,323</u>	<u>68,505</u>	<u>39,818</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>68,061</u>	<u>\$ 68,061</u>
Fund balance - beginning		<u>-</u>	
Fund balance - ending		<u>\$ 68,061</u>	

See notes to required supplementary information

**PARKLANDS LEE COMMUNITY DEVELOPMENT DISTRICT
CITY OF BONITA SPRINGS, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors.



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

**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
Parklands Lee Community Development District
City of Bonita Springs, Florida

We have audited the financial statements of the governmental activities and each major fund of Parklands Lee Community Development District, City of Bonita Springs, Florida ("District") as of and for the fiscal year ended September 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 31, 2007. 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.

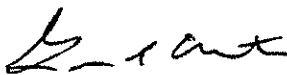
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Parklands Lee Community Development District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parklands Lee Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 of the management, Board of Supervisors of Parklands Lee Community Development District, City of Bonita Springs, 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 31, 2007

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

To the Board of Supervisors
Parklands Lee Community Development District
City of Bonita Springs, Florida

We have audited the accompanying basic financial statements of Parklands Lee Community Development District ("District") as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated May 31, 2007.

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 31, 2007. 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 Parklands Lee Community Development District, City of Bonita Springs, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

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


May 31, 2007

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

1. Unless otherwise required to be reported in the auditor's report on compliance and on internal controls, the management letter shall include, but not be limited to a statement as to whether or not corrective actions have been taken to address significant 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, 2005.
2. The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. There were no violations of laws, rules, regulations, and contractual provisions or abuse, that were not clearly inconsequential, that have occurred, or were likely to have occurred, that were discovered within the scope of the audit.
4. There were no illegal or improper expenditures that were not clearly inconsequential, discovered within the scope of the audit that may not materially affect the financial statements.
5. There were no deficiencies in internal control that are not reportable conditions, including but not limited to, improper or inadequate accounting procedures, failure to properly record financial transactions or other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of, the auditor.
6. The name and legal authority for the District are disclosed in the notes to the financial statements.
7. The District has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.
8. 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, 2006 financial audit report.
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.