

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORT THEREON**

**ANNUAL AUDIT FOR THE YEAR ENDING
SEPTEMBER 30, 2011**

THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
SEPTEMBER 30, 2011

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To the Board of Supervisors
The Crossings at Fleming Island Community Development District
Clay County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of The Crossings at Fleming Island Community Development District, Clay County, Florida (the "District") as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Crossings at Fleming Island Community Development District, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U. S. generally accepted accounting principles.

As discussed in Notes 13 and 14 to the financial statements, the District's financial condition is deteriorating. The Golf Course has suffered recurring losses from operations and has reported a deficit in net assets. Consequently, the District did not have sufficient funds to make the April 1, 2011 debt service payment on the Golf Course Revenue Bond, Series 1999. In addition, the District has significant assessments levied for the 2010 and 2011 fiscal years that remain unpaid. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 43 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. Generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
March 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Crossings at Fleming Island Community Development District ("District") was established in November 1989 by the Florida Land and Water Adjudicatory Commission Chapter 42H-1 pursuant to the provisions of Chapter 190, Florida Statutes. The District was established to provide for the ownership, construction, operation and maintenance of certain infrastructure within the District. The District has power, among other things, to manage basic services for community development and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure and for the maintenance and operation of facilities within the District.

Our discussion and analysis of the Crossings at Fleming Island Community Development District, Clay County, Florida's financial accomplishments provide an overview of the District's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the District's Independent Auditors' Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements themselves.

FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of Fiscal Year 2010-2011 by \$46,168,866 due largely to the financing of infrastructure including roads, water and wastewater improvements. This debt liability is included on the District's financial statements. However, the associated infrastructure constructed with the debt proceeds were transferred to the County, and therefore not considered an asset of the District.
- At September 30, 2011, the District's government funds reported a fund balance of \$8,218,528, which is exclusive of the long-term debt liability and fixed assets. The unassigned (available for use) portion of this fund balance is \$1,488,031.
- The District's total net assets increased by \$1,401,654 in Fiscal Year 2010-2011. The business-type activities decreased by \$52,061 while the governmental activities increased by \$1,453,715.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an 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 the **statement of net assets** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities and the change in net assets. Governmental activities are primarily supported by special assessments billed as non-ad valorem assessments on property tax bills. Business-type activities are supported by charges to the users of those activities, such as water and sewer service charges and user fees for the golf course.

The **statement of net assets** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net assets. Net assets are reported in three categories; 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Assets, liabilities, and net assets are reported for all Governmental activities separate from the assets, liabilities, and net assets of business-type activities. 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 the information on all revenues and expenses of the District and the change in net assets. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities or business-type activities. Governmental activities financed by the District include general (management), maintenance, and debt service. Business type activities are financed by user charges and include water and sewer operations and golf course operations.

Fund Financial Statements

Fund Financial statements present financial information for governmental funds and proprietary funds. The District maintains three individual governmental funds and two proprietary funds. Information is presented separately in the government fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the Capital Project Fund all of which are considered to be major funds. The enterprise fund financial statements for the two proprietary funds provide information on all assets and liabilities of the fund, changes in the economic resources (revenues and expenses), and total economic resources.

Fund financial statements provide more detail information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements.

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The government-wide financial statements provide an overall picture of the District's financial standing, split between Governmental Activities and Business-type Activities. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various functions provided by the District. All assets of the District, including buildings, and infrastructure are reported in the **statement of net assets**. All liabilities, including principal outstanding on bonds, and future employee benefits obligated but not paid by the District, are included. The **statement of activities** include depreciation on all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "double counting" the revenue and expenses. The *fund financial statements* provide a picture of the major funds of the district and a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures, and long term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to the Financial Statements

Notes to the financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District; investments of the District and long term debt are some of the items included in the notes to the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget to actual comparison for the general fund.

FINANCIAL ANALYSIS OF THE DISTRICT

The District's net assets were a deficit of (\$46,168,866) at September 30, 2011. The amount invested in capital assets, net of related debt was (\$1,232,268). This deficit is primarily due to the District transferring the infrastructure assets to the County, but continuing to report the associated debt. A portion of the balance reported in business-type activities is the result of debt balance which includes advances from the Developer exceeding the capital asset balance, net of accumulated depreciation. The Restricted for Debt Service balance of \$6,054,091 represents funds set aside for debt service. The analysis below focuses on the net assets of the District's governmental activities.

The following comparative schedule provides a summary of the assets, liabilities and fund balances/net assets of the District and is presented at the activity level for the purpose of comparing last year's (FY 2010) to this year's (FY 2011) financial results.

Table 1

	Net Asset Comparison					
	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010 (1)	2011	2010
Assets, excluding capital assets	\$ 8,325,815	\$ 9,666,028	\$ 6,954,338	\$ 7,129,902	\$ 15,280,153	\$ 16,795,930
Capital assets (net of depreciation)	5,348,511	5,469,729	18,865,670	19,445,401	24,214,181	24,915,130
Total Assets	13,674,326	15,135,757	25,820,008	26,575,303	39,494,334	41,711,060
Liabilities, excluding long-term liabilities	1,501,518	1,546,664	8,494,879	4,235,777	9,996,397	5,782,441
Long-term liabilities	48,765,000	51,635,000	26,901,803	31,864,139	75,666,803	83,499,139
Total Liabilities	50,266,518	53,181,664	35,396,682	36,099,916	85,663,200	89,281,580
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,012,843	886,980	(2,245,111)	(1,694,796)	(1,232,268)	(807,816)
Restricted for:						
Debt Service	4,502,422	5,511,218	1,551,669	1,422,327	6,054,091	6,933,545
Renewal & Replacement			250,000	250,000	250,000	250,000
Unrestricted	(42,107,457)	(44,444,105)	(9,133,232)	(9,502,144)	(51,240,689)	(53,946,249)
Total Net Assets	(36,592,192)	(38,045,907)	(9,576,674)	(9,524,613)	(46,168,866)	(47,570,520)

(1) As restated, see Note 16

The following schedule provides a summary of the changes in net assets of the District and is presented at the fund level for comparison purposes.

Table 2**Comparison of Revenue and Expense**

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010 (1)	2011	2010
Program Revenue						
Charges for Service	\$ 8,185,263	\$ 10,152,757	\$ 7,270,206	\$ 6,439,143	\$ 15,455,469	\$ 16,591,900
Operating Grants & Contributions						
Capital Grants & Contributions						
General Revenue	170,943	23,072	2,378	4,656	173,321	27,728
Interfund Transfers	(148,400)	(148,400)	148,400	148,400		
Total Revenue	\$ 8,207,806	\$ 10,027,429	\$ 7,420,984	\$ 6,592,199	\$ 15,628,790	\$ 16,619,628
Expenses						
Maintenance & Operations	\$ 3,304,477	\$ 2,878,345	\$	\$	\$ 3,304,477	\$ 2,878,345
Interest on long-term debt	3,449,614	3,621,965			3,449,614	3,621,965
Water & Sewer			5,165,167	4,788,984	5,165,167	4,788,984
Golf Course			2,307,878	2,301,883	2,307,878	2,301,883
Total Expenses	\$ 6,754,091	\$ 6,500,310	\$ 7,473,045	\$ 7,090,867	\$ 14,227,136	\$ 13,591,177
Change in net assets	\$ 1,453,715	\$ 3,527,119	\$ (52,061)	\$ (498,668)	\$ 1,401,654	\$ 3,028,451

(1) As restated, see Note 16

Government Activities

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2011 was \$6,754,091. The majority of the costs of the District's activities were paid by program revenues consisting primarily of assessments.

Business-type activities

For the fiscal year ended September 30, 2011, the expenses related to the business-type activities were \$7,473,045. The costs of those activities were partially paid for by program revenues which consisted of utility fees and rates, user fees and charges and by advances from the developer.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

Government Activities

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

As of September 30, 2011, the District's governmental funds reported a fund balance of \$8,218,528, of which \$1,488,031 is unassigned.

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

Maintenance and Operations	\$ 2,570,683	28%
Interest and principal on long-term debt	6,393,513	69%
Capital outlay	315,048	3%
Totals	<u>\$ 9,279,244</u>	<u>100%</u>

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

Business-type activities

The District's two proprietary funds, water and sewer operations and the golf course, provide the same type of information found in the government-wide financial statements, but in more detail.

The District has accumulated deficits of (\$8,871,281) in the Water and Sewer Fund and (\$705,393) in the Golf Fund. The deficits are principally the result of depreciation expense, which is a non-cash item, reporting of debt service on infrastructure assets that were transferred to the county, and Developer loans.

GENERAL FUND BUDGETING HIGHLIGHTS

An operating budget for the general fund was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The general fund budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal levy of budgetary control, the level at which expenditures may not exceed budgeted appropriations, is at the fund level. Budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. At September 30, 2011, actual expenditures for the year did not exceed budgeted appropriations.

Capital Assets

At September 30, 2011, the District has a total of \$24,214,181 (net of accumulated depreciation) invested in capital assets for its government and business-type activities. This investment in depreciable capital \$27,929,982, net of accumulated depreciation of \$9,737,641, consists of infrastructure for the water and sewer operations, improvements for the golf course and recreational furniture, fixtures and equipment.

Additional information on the District's capital assets can be found in Note 5 in the Notes to the Financial Statements.

Debt Administration

At September 30, 2011, the District has \$48,765,000 in Bonds outstanding for its governmental activities, a decrease of approximately 5.55% from the prior year. For business-type activities, the District had Bonds outstanding of \$32,935,000 a decrease of approximately .15% from the prior year. Additional information on the District's long-term debt can be found in Note 7 in the Notes to the Financial Statements.

Other Significant Matters

The District has accumulated deficits of (\$8,871,281) in the Water and Sewer Fund and (\$705,393) in the Golf Course Fund. The deficits are principally the result of depreciation expense, which is a non-cash item, reporting of debt for infrastructure assets that were transferred to the county, and Developer loans. The balance owed to the Developer was \$2,204,501 at September 30, 2011 all reported in the Golf Course Fund

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Crossings at Fleming Island Community Development at 475 West Town Place, Suite 114, St. Augustine, FL 32092.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA**

**Statement of Net Assets
September 30, 2011**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,664,778	\$ 2,040,539	\$ 3,705,317
Accounts receivable		599,152	599,152
Inventory	8,178	55,890	64,068
Prepays	134,249	37,648	171,897
Internal balances	85,655	(85,655)	
Due from other governments		13,074	13,074
Restricted assets:			
Investments	6,432,955	3,109,281	9,542,236
Deferred charges		1,184,409	1,184,409
Capital assets:			
Nondepreciable	2,423,009	3,598,831	6,021,840
Depreciable (net of depreciation)	2,925,502	15,266,839	18,192,341
Total assets	13,674,326	25,820,008	39,494,334
Liabilities			
Accounts payable	80,988	481,100	562,088
Other liabilities	21,926	18,224	40,150
Due to developer		2,204,501	2,204,501
Bonds payable		4,540,000	4,540,000
Accrued interest payable	1,394,231	957,612	2,351,843
Customer deposits	4,373	193,960	198,333
Deferred revenue		99,482	99,482
Noncurrent liabilities:			
Due within one year	3,035,000	565,000	3,600,000
Due in more than one year	45,730,000	26,336,803	72,066,803
Total liabilities	50,266,518	35,396,682	85,663,200
Net Assets (Deficit)			
Invested in capital assets, net of related debt	1,012,843	(2,245,111)	(1,232,268)
Restricted for:			
Debt service	4,502,422	1,551,669	6,054,091
Renewal and replacement		250,000	250,000
Unrestricted	(42,107,457)	(9,133,232)	(51,240,689)
Total net assets (deficit)	\$ (36,592,192)	\$ (9,576,674)	\$ (46,168,866)

See notes to the financial statements.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
Statement of Activities
For the Year Ended September 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Activities</u>
Government:		
Governmental activities		
Maintenance and operations	\$ 3,304,477	\$ 2,996,973
Interest on long-term debt	3,449,614	5,188,290
Total governmental activities	<u>6,754,091</u>	<u>8,185,263</u>
Business-type activities		
Water and sewer	5,165,167	5,397,089
Golf course operations	2,307,878	1,873,117
Total business-type activities	<u>7,473,045</u>	<u>7,270,206</u>
Total government	<u>\$ 14,227,136</u>	<u>\$ 15,455,469</u>

Program Revenues		Net Expense (Revenue) and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$	\$	\$ (307,504)	\$	\$ (307,504)
		1,738,676		1,738,676
		1,431,172		1,431,172
			231,922	231,922
			(434,761)	(434,761)
			(202,839)	(202,839)
\$	\$	1,431,172	(202,839)	1,228,333
General revenues:				
Other income		157,600		157,600
Investment earnings		13,343	2,378	15,721
Transfers		(148,400)	148,400	
Total general revenues		22,543	150,778	173,321
Change in net assets		1,453,715	(52,061)	1,401,654
Net assets (deficit)				
Beginning of year , as restated		(38,045,907)	(9,524,613)	(47,570,520)
End of year		\$ (36,592,192)	\$ (9,576,674)	\$ (46,168,866)

See notes to the financial statements.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 1,664,778	\$	\$	\$ 1,664,778
Due from other funds	2,860	33		2,893
Advances to other funds	82,940			82,940
Inventories	8,178			8,178
Prepays	134,249			134,249
Restricted investments		5,896,653	536,302	6,432,955
Total assets	<u>\$ 1,893,005</u>	<u>\$ 5,896,686</u>	<u>\$ 536,302</u>	<u>\$ 8,325,993</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 80,988	\$	\$	\$ 80,988
Other liabilities	21,926			21,926
Due to other funds	178			178
Customer deposits	4,373			4,373
Total liabilities	<u>107,465</u>			<u>107,465</u>
Fund balances				
Nonspendable				
Prepaid and inventories	142,427			142,427
Advances to other funds	82,940			82,940
Restricted				
Debt service		5,896,686		5,896,686
Capital projects			536,302	536,302
Assigned				
Capital projects	72,142			72,142
Unassigned				
Total fund balances	<u>1,785,540</u>	<u>5,896,686</u>	<u>536,302</u>	<u>8,218,528</u>
Total liabilities and fund balances	<u>\$ 1,893,005</u>	<u>\$ 5,896,686</u>	<u>\$ 536,302</u>	<u>\$ 8,325,993</u>

See notes to the financial statements.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Assets
Governmental Funds
September 30, 2011**

Fund balances - total governmental funds		\$ 8,218,528
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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 in the governmental funds:

Governmental capital assets	\$ 6,946,008	
Less accumulated depreciation	<u>(1,597,497)</u>	
		5,348,511

Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Long term liabilities at year-end consist of:

Accrued interest payable	(1,394,231)	
Notes payable	<u>(48,765,000)</u>	
		<u>(50,159,231)</u>

Net assets of governmental activities		<u>\$ (36,592,192)</u>
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See notes to the financial statements.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
Revenues				
Assessments	\$ 2,601,382	\$ 5,188,290	\$	\$ 7,789,672
User fees	265,859			265,859
Storage and rental fees	129,048			129,048
Interest and other revenues	113,057	10,247	48,323	171,627
Total revenues	<u>3,109,346</u>	<u>5,198,537</u>	<u>48,323</u>	<u>8,356,206</u>
Expenditures				
Current				
Maintenance and operations	2,570,683			2,570,683
Capital outlay	222,340		92,708	315,048
Debt service				
Principal payments		2,870,000		2,870,000
Interest and fiscal charges		3,523,513		3,523,513
Total expenditures	<u>2,793,023</u>	<u>6,393,513</u>	<u>92,708</u>	<u>9,279,244</u>
Excess (deficiency) of revenues over (under) expenditures	<u>316,323</u>	<u>(1,194,976)</u>	<u>(44,385)</u>	<u>(923,038)</u>
Other financing sources (uses)				
Transfers (out)	(148,400)			(148,400)
Total other financing sources (uses)	<u>(148,400)</u>			<u>(148,400)</u>
Net change in fund balances	167,923	(1,194,976)	(44,385)	(1,071,438)
Beginning of year	<u>1,617,617</u>	<u>7,091,662</u>	<u>580,687</u>	<u>9,289,966</u>
End of year	<u>\$ 1,785,540</u>	<u>\$ 5,896,686</u>	<u>\$ 536,302</u>	<u>\$ 8,218,528</u>

See notes to the financial statements.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of the Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011**

Net change in fund balances - total governmental funds \$ (1,071,438)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense:

Expenditures for capital assets	\$ 153,260	
Less: current year depreciation	<u>(124,001)</u>	29,259

Loss on the disposal of capital assets		(150,477)
--	--	-----------

Repayment of long-term debt is reported as an expenditure on the governmental funds, but a reduction of long-term liabilities in the statement of net assets.		2,870,000
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Governmental funds report revenues when earned and available. However, in the Statement of Activities, revenues are recognized when earned, regardless of availability.

Assessment revenue		(297,528)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest		<u>73,899</u>
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Change in net assets		<u><u>\$ 1,453,715</u></u>
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See notes to the financial statements.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA**

Statement of Net Assets

Proprietary Funds

September 30, 2011

	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 1,851,487	\$ 189,052	\$ 2,040,539
Accounts receivable	576,570	22,582	599,152
Due from other funds	3,377		3,377
Due from other governments	13,074		13,074
Inventories		55,890	55,890
Prepays and deposits	16,187	21,461	37,648
Restricted assets			
Investments	<u>2,806,591</u>	<u>302,690</u>	<u>3,109,281</u>
Total current assets	<u>5,267,286</u>	<u>591,675</u>	<u>5,858,961</u>
Non-current assets			
Deferred charges	940,831	243,578	1,184,409
Land, buildings, and equipment, net	<u>13,187,043</u>	<u>5,678,627</u>	<u>18,865,670</u>
Total assets	<u>19,395,160</u>	<u>6,513,880</u>	<u>25,909,040</u>
Liabilities			
Current liabilities			
Accounts payable	407,950	73,150	481,100
Other liabilities	5,274	12,950	18,224
Due to other funds		6,092	6,092
Due to developer		2,204,501	2,204,501
Bonds payable		4,540,000	4,540,000
Deferred revenue	99,482		99,482
Payable from restricted assets			
Customer deposits	193,960		193,960
Accrued interest payable	657,972	299,640	957,612
Bonds payable	<u>565,000</u>		<u>565,000</u>
Total current liabilities	<u>1,929,638</u>	<u>7,136,333</u>	<u>9,065,971</u>
Non-current liabilities			
Advances from other funds		82,940	82,940
Bonds payable (less unamortized bond discount and deferred loss on refunding)	<u>26,336,803</u>		<u>26,336,803</u>
Total non-current liabilities	<u>26,336,803</u>	<u>82,940</u>	<u>26,419,743</u>
Total liabilities	<u>28,266,441</u>	<u>7,219,273</u>	<u>35,485,714</u>
Net Assets (deficit)			
Invested in capital assets, net of related debt	(3,627,316)	1,382,205	(2,245,111)
Restricted for debt service	1,548,619	3,050	1,551,669
Restricted for renewal and replacement	250,000		250,000
Unrestricted	<u>(7,042,584)</u>	<u>(2,090,648)</u>	<u>(9,133,232)</u>
Total net assets (deficit)	<u>\$ (8,871,281)</u>	<u>\$ (705,393)</u>	<u>\$ (9,576,674)</u>

See notes to the financial statements.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA**

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2011**

	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenue			
Water and sewer sales	\$ 5,397,089	\$	\$ 5,397,089
Golf course		1,355,276	1,355,276
Restaurant		403,103	403,103
Golf shop		114,378	114,378
Total operating revenues	<u>5,397,089</u>	<u>1,872,757</u>	<u>7,269,846</u>
Operating expenses			
Water and sewer	3,208,842		3,208,842
Golf course		615,527	615,527
Restaurant		455,651	455,651
Golf shop		362,119	362,119
General and administrative		444,850	444,850
Repairs and maintenance		32,494	32,494
Depreciation and amortization	621,375	97,597	718,972
Total operating expenses	<u>3,830,217</u>	<u>2,008,238</u>	<u>5,838,455</u>
Operating income (loss)	<u>1,566,872</u>	<u>(135,481)</u>	<u>1,431,391</u>
Nonoperating revenues (expenses)			
Interest revenue	1,887	491	2,378
Other income		360	360
Interest expense	(1,334,950)	(299,640)	(1,634,590)
Total nonoperating revenues (expenses)	<u>(1,333,063)</u>	<u>(298,789)</u>	<u>(1,631,852)</u>
Net income before transfers	233,809	(434,270)	(200,461)
Transfers from other funds		148,400	148,400
Change in net assets	233,809	(285,870)	(52,061)
Net assets (deficit)			
Beginning of year, as restated	<u>(9,105,090)</u>	<u>(419,523)</u>	<u>(9,524,613)</u>
End of year	<u>\$ (8,871,281)</u>	<u>\$ (705,393)</u>	<u>\$ (9,576,674)</u>

See notes to the financial statements.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2011**

	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 5,147,173	\$ 1,863,665	\$ 7,010,838
Payments to suppliers for goods or services	(3,010,399)	(1,891,770)	(4,902,169)
Net cash provided (used) by operating activities	<u>2,136,774</u>	<u>(28,105)</u>	<u>2,108,669</u>
Cash flows from noncapital financing activities			
Other income		360	360
Operating transfer in		148,400	148,400
Net cash provided (used) by noncapital financing activities		<u>148,760</u>	<u>148,760</u>
Cash flows from capital and related financing activities:			
Principal paid on long term debt	(320,000)	(195,000)	(515,000)
Interest paid on debt	(1,322,344)	(156,255)	(1,478,599)
Net cash provided (used) by capital and related financing activities	<u>(1,642,344)</u>	<u>(351,255)</u>	<u>(1,993,599)</u>
Cash flows from investing activities:			
Net purchases and sales of investments	(238,600)	222,314	(16,286)
Interest and dividends on investments	1,887	491	2,378
Net cash provided (used) by investing activities	<u>(236,713)</u>	<u>222,805</u>	<u>(13,908)</u>
Net increase (decrease) in cash and cash equivalents	257,717	(7,795)	249,922
Cash and cash equivalents at beginning of year	1,593,770	196,847	1,790,617
Cash and cash equivalents at end of year	<u>\$ 1,851,487</u>	<u>\$ 189,052</u>	<u>\$ 2,040,539</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income	<u>\$ 1,566,872</u>	<u>\$ (135,481)</u>	<u>\$ 1,431,391</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	621,375	97,597	718,972
Change in assets and liabilities			
Decrease (increase) in accounts receivable	401,848	(9,055)	392,793
Decrease (increase) in due from other funds	(144)		(144)
Decrease (increase) in due from other governments	(13,074)		(13,074)
Decrease (increase) in inventory		(10,737)	(10,737)
Decrease (increase) in prepaids and deposits	10,673	1,520	12,193
Increase (decrease) in accounts payable	200,988	32,972	233,960
Increase (decrease) in other liabilities	(4,232)	(37)	(4,269)
Increase (decrease) in due to other funds		(4,884)	(4,884)
Increase (decrease) in customer deposits	9,050		9,050
Increase (decrease) in deferred revenue	(656,582)		(656,582)
Total adjustments	<u>569,902</u>	<u>107,376</u>	<u>677,278</u>
Net cash provided by operating activities	<u>\$ 2,136,774</u>	<u>\$ (28,105)</u>	<u>\$ 2,108,669</u>

See notes to the financial statements.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Crossings at Fleming Island Community Development District (“District”) was established in November 1989 by the Florida Land and Water Adjudicatory Commission Chapter 42H-1 pursuant to the provisions of Chapter 190, Florida Statutes. The District was established to provide for the ownership, construction, operation and maintenance of certain infrastructure within the District. The District has the power, among other things, to manage basic services for community development and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District is governed by the Board of Supervisors (“Board”), which is composed of five members. The Board is elected by qualified electors of the District.

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.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assessments

Assessments are non-ad valorem assessments on all assessable property within the District. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the bonds which are not paid with prepaid assessments.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

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

Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The following major proprietary funds are used by the District:

Water and Sewer Fund

This enterprise fund is used to account for the operations that provide water and sewer utility services within the District. Receipts are restricted by the bond indenture and may only be used for costs associated with operating the water and sewer system and for debt service on the bonds so that the system revenues meet or exceed system expenses.

Golf Course Fund

This enterprise fund is used to account for the operations of the golf course within the District.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for services and operating expenses, including costs of sales, administrative expenses and depreciation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary fund types follow generally accepted accounting principles prescribed by the Governmental Accounting Standards Board ("GASB") and all Financial Accounting Standards Board ("FASB") standards issued prior to November 30, 1989. The District has elected not to apply FASB Statements and Interpretations issued after November 30, 1989 as permitted by GASB Statement 20.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to bond covenants or based on other legal requirements.

Deposits and Investments

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

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.
- 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.
- e. Deposits that meet the following conditions (CDARS[®]):
 - The funds are initially deposited in a qualified public depository.
 - The selected depository arranges for depositing the funds in financial deposit instruments insured by the Federal Deposit Insurance Corporation in one or more federally insured banks or saving and loan associations, wherever located, for the account of the unit of local government.
 - The full amount of the principal and accrued interest of each financial deposit instrument is insured by the FDIC.
 - The selected depository acts as custodian for the unit of local government with respect to each financial deposit instrument issued for its account.

Securities listed in paragraph c) and d) shall be invested to provide sufficient liquidity to pay obligations as they come due.

Investments are stated at fair value. In addition, any unspent proceeds are required to be held in investments allowed in the bond indenture. The District records all interest revenue related to investment activities in the respective funds.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Transfers and interfund balances totally within governmental activities and those that are totally within business-type activities are eliminated and not presented in the government wide financial statements. Transfers and balances between governmental and business-type activities are presented in the government-wide financial statements.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in the proprietary funds consisting of food, beverages and golf merchandise are recorded at cost and expensed on the first in first out basis.

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 District 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 CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

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>
Water and sewer infrastructure	40
Golf course improvements	40
Recreational furniture, fixtures and equipment	5 - 7

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 Revenue

Deferred revenue consists of amounts billed in advance in the water and sewer fund and amounts in the governmental funds that were not converted into cash within sixty days.

Capitalized Interest

The District follows the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use in conformity with Statement of Financial Accounting Standard 32, 42 and 62, as applicable.

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.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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

Fund Equity

Fund balance is the difference between assets and liabilities reported in governmental funds. There are five possible components of fund balance:

- Nonspendable fund balance represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. The District's nonspendable fund balance is for inventories and prepaid items.
- Restricted fund balance represents amounts that can be spent only for specific purposes stipulated by external providers (e.g. creditors, grantors, contributor, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance represents amounts that can be used only for the specific purposes determined by formal action of the District Board. The District has no committed funds.
- Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes, as expressed by the District Board, that are neither considered restricted or committed. The District has assigned fund balance for future capital improvements in the amount of \$72,142.
- Unassigned fund balance is the residual fund balance classification for the general fund.

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

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity/Net Assets (Continued)

Net Assets

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.

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 all of the funds. 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 Board.
- d) All budget changes must be approved by the Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Bond Compliance

The Golf Course Revenue Bonds, Series 1999 documents requires the District to maintain rates and charges for the Golf Course such that net revenues are 1.10 times the Debt Service Requirement for all Outstanding Bonds plus the amount, if any, required to be deposited into the Reserve Account and Sinking Fund. The net revenues for the current fiscal year were \$1,064,244 short of meeting this requirement. As of September 30, 2011, the combined Reserve Account and Sinking Fund balances were \$656,922 short of meeting the required minimum balances. The District is working on meeting the requirements in future years through cost savings, new revenue sources and a possible restructuring of the Golf Course Revenue Bonds, Series 1999 debt level and/or interest rate.

The District did not make the April 1, 2011 interest payment in the amount of \$149,820. The failure to pay the interest payment results in an event of default as defined in the Trust Indenture. As discussed in Note 7, the Trustee may declare the bonds immediately due and payable.

NOTE 3 – CASH AND INVESTMENTS

Deposits

Deposits are either covered by insurance provided by the Federal Depository Insurance Corporation or are held in banking institutions approved by the Treasurer of the State of Florida. Under Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The District's deposits at year end are considered insured for custodial credit risk purposes. As of September 30, 2011, the carrying amount of the District's deposits was \$2,251,449 and the bank balances totaled \$2,285,470. The District also had cash on hand of \$2,100 resulting in a total cash carrying amount of \$2,253,549.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments

The State Board of Administration is part of the Local Governments Surplus Funds Trust Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A, (Local Government Surplus Funds Trust Fund Investment Pool) consisted of all money market appropriate assets. Pool B, (Surplus Funds Trust Fund) consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B. On August 3, 2009 the SBA announced "Florida PRIME" as the highly enhanced version of the SBA's prior Local Government Investment Pool.

At September 30, 2011, Florida PRIME was assigned a "AAA(m)" principal stability fund rating by the Standard and Poor's Ratings. Florida PRIME is considered a SEC 2a7-like fund, thus, the account balance should also be considered its fair value. Fund B is not considered a SEC 2a7-like fund and is not rated by any nationally recognized rating agency.

The weighted average days to maturity (WAM) of Florida PRIME at September 30, 2011, was 38 days. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of Florida PRIME to interest rate changes.

The weighted average life (WAL) of Fund B at September 30, 2011, was 4.82 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates for Fund B as of September 30, 2011.

As of September 30, 2011, the District had \$1,451,768 invested in Florida PRIME. The District did not have any funds invested in Fund B. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

**THE CROSSINGS AT FLEMING ISLAND
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CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2011, the District had the following investments. The investment in the State Board of Administration Florida PRIME pool is reported as cash and cash equivalents in the balance sheet.

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
State Board of Administration Investment Pool		
Florida PRIME	52 days	\$ 1,451,768
Money market mutual fund	NA	<u>9,542,236</u>
		<u>\$10,994,004</u>

Credit risk – The risk that an issuer or other counter party to an investment will not fulfill its obligations. The District does have a formal investment policy that limits its investments to high quality investments to control credit risk.

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 money market mutual funds are not evidenced by securities that exist in physical or book entry form. The District’s investments are held by the investment’s counterparty, not in the name of the District.

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indentures limit the type of investments held, using unspent proceeds for certain District’s investments.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 4 – ASSESSMENTS

Assessment revenues in the General and Debt Service Funds include the assessments levied on residents for operations and maintenance and debt service payments. The District has assessments levied in the fiscal year 2010 and 2011 that remain unpaid. The uncollected assessments were \$73,229 and \$635,653 in fiscal years 2010 and 2011, respectively for the General Fund and \$239,959 and \$1,287,251 in fiscal years 2010 and 2011, respectively for the Debt Service Fund. As the collectability of these assessments is considered both uncertain and unlikely, an allowance for doubtful accounts has been recorded for the entire receivable in the government-wide financial statements.

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 2,298,612	\$	\$	\$ 2,298,612
Construction in progress	124,397			124,397
Total capital assets, not being depreciated	<u>2,423,009</u>			<u>2,423,009</u>
Capital assets, being depreciated				
Furniture, fixtures and equipment	4,603,006	153,260	(233,267)	4,522,999
Total capital assets, being depreciated	<u>4,603,006</u>	<u>153,260</u>	<u>(233,267)</u>	<u>4,522,999</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(1,556,286)	(124,001)	82,790	(1,597,497)
Total accumulated depreciation	<u>(1,556,286)</u>	<u>(124,001)</u>	<u>82,790</u>	<u>(1,597,497)</u>
Total capital assets, being depreciated, net	<u>3,046,720</u>	<u>29,259</u>	<u>(150,477)</u>	<u>2,925,502</u>
Governmental activities capital assets, net	<u>\$ 5,469,729</u>	<u>\$ 29,259</u>	<u>\$ (150,477)</u>	<u>\$ 5,348,511</u>

Depreciation expense for September 30, 2011 was charged to maintenance and operations function.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 5 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 3,598,831	\$	\$	\$ 3,598,831
Total capital assets, not being depreciated	<u>3,598,831</u>			<u>3,598,831</u>
Capital assets, being depreciated				
Water and sewer facilities	20,096,198			20,096,198
Golf course and improvements	3,203,216			3,203,216
Furniture, fixtures and equipment	107,569			107,569
Total capital assets, being depreciated	<u>23,406,983</u>			<u>23,406,983</u>
Less accumulated depreciation for:				
Water and sewer facilities	(6,407,034)	(502,420)		(6,909,454)
Golf course and improvements	(1,045,810)	(77,311)		(1,123,121)
Furniture, fixtures and equipment	(107,569)			(107,569)
Total accumulated depreciation	<u>(7,560,413)</u>	<u>(579,731)</u>		<u>(8,140,144)</u>
Total capital assets, being depreciated, net	<u>15,846,570</u>	<u>(579,731)</u>		<u>15,266,839</u>
Business-type activities capital assets, net	<u>\$19,445,401</u>	<u>\$ (579,731)</u>	<u>\$</u>	<u>\$18,865,670</u>

Capitalized Interest

The District did not capitalize any interest during the year ended September 30, 2011.

NOTE 6 – RESTRICTED ASSETS

Restricted assets in the District’s governmental funds include investments which are restricted for debt service in connection with the bond requirements discussed in Note 7.

Restricted assets in the District’s enterprise fund includes cash, cash equivalents and investments that are restricted in connection with the Golf Course and Water and Sewer Revenue Bonds discussed in Note 7 and for the payment of customer security deposits which are recorded in the Utilities Fund.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 7 – LONG TERM LIABILITIES

Special Assessment Bonds – Series 2000

In May 2000, the District issued \$73,710,000 Special Assessment Refunding Bonds, Series 2000. The bonds were issued to refund the Special Assessment Refunding Bonds, Series 1993 and the Special Assessment Bonds Series 1995 and to finance the acquisition and construction of certain infrastructure projects within the District.

The Series 2000 Bonds are comprised of \$4,640,000 Series 2000A, \$20,215,000 Series 2000B and \$48,855,000 Series 2000C as follows:

<u>Series</u>	<u>Original Face Amount</u>	<u>Interest Rate</u>	<u>Mandatory Redemption Beginning May 1</u>	<u>Maturity</u>
2000A	\$ 1,595,000	4.50% to 5.25%	2001	May 1, 2005
2000A	3,045,000	5.60%	2006	May 1, 2012
2000B	4,635,000	4.50% to 5.25%	2001	May 1, 2005
2000B	5,940,000	5.45%	2006	May 1, 2010
2000B	9,640,000	5.8%	2011	May 1, 2016
2000C	12,995,000	7.05%	2001	May 1, 2015
2000C	35,860,000	7.10%	2016	May 1, 2030

Interest is to be paid semiannually on each May 1 and November 1. Principal is to be paid annually commencing May 1, 2001 through May 1, 2030. The Series 2000 Bonds are subject to optional and extraordinary mandatory redemption prior to maturity as outlined in the Bond Indenture.

The Bond Indenture requires that the District maintain a municipal bond insurance policy for the Series 2000 A/B Bonds and maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture for the Series 2000C Bonds. In addition, the District is required by the Bond Indenture to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 7 – LONG TERM LIABILITIES (Continued)

Utility Revenue Bonds

Revenue Refunding Bond, Series 2007

On June 1, 2007 the District issued \$28,900,000 of Revenue Refunding Bond, Series 2007, with interest rates ranging from 3.75% to 4.875%. The bonds were used to refinance all of the outstanding Utility Revenue Bonds, Series 1994 and 1999; to refinance certain developer loans previously made to support the operations of the System; to purchase a debt service reserve surety for and make a deposit to the Reserve Account for the bonds and to pay the costs of issuing the bonds, including payment of the related premiums for a municipal bond insurance policy and the debt service reserve surety. Principal and interest are payable annually on October 1. The bonds mature on October 1, 2037.

The bonds are secured by a pledge of certain revenues derived from operation of the water and sewer services. In addition, the District is required to maintain a reserve account to meet the debt service reserve requirement as defined in the Bond Indenture.

Golf Course Revenue Bonds, Series 1999

In May 1999 the District issued \$7,835,000 of Golf Course Revenue Bonds, Series 1999 due on October 1, 2024 with a fixed interest rate of 6.60%. The bonds were issued to finance the acquisition and construction of certain public infrastructure within the District. Interest is to be paid semiannually on each April 1 and October 1, commencing November 1, 1999. Principal is to be paid annually commencing October 1, 2001.

The District did not make the April 1, 2011 interest payment in the amount of \$149,820. The failure to pay the interest payment results in an event of default as defined in the Trust Indenture. If an event of default has occurred and is continuing, the Trustee may, and upon written request of the holders of at least a majority in aggregate principal amount of the bonds then outstanding declare the principal of all bonds then outstanding to be immediately due and payable. Therefore, the entire principal balance of \$4,540,000 is included as a current liability of September 30, 2011.

The bonds are secured by a pledge of certain revenues derived from operation of the golf course. In addition, the District is required to maintain a reserve account to meet the debt service reserve requirement as defined in the Bond Indenture.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 7 – LONG TERM LIABILITIES (Continued)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities</u>					
Bonds payable:					
Series 2000A	\$ 990,000	\$	\$ (480,000)	\$ 510,000	\$ 510,000
Series 2000B	9,605,000		(1,385,000)	8,220,000	1,465,000
Series 2000C	<u>41,040,000</u>		<u>(1,005,000)</u>	<u>40,035,000</u>	<u>1,060,000</u>
Governmental activity long-term liabilities	<u>\$51,635,000</u>	<u>\$</u>	<u>\$ (2,870,000)</u>	<u>\$48,765,000</u>	<u>\$ 3,035,000</u>
 <u>Business-type activities</u>					
Bonds payable:					
Utility Series 2007	\$28,715,000	\$	\$ (320,000)	\$28,395,000	\$ 565,000
Golf Series 1999	4,735,000		(195,000)	4,540,000	4,540,000
Less deferred amounts:					
On refunding	(1,177,405)		73,616	(1,103,789)	
For issuance discounts	(408,456)		19,048	(389,408)	
Business-type activity long-term liabilities	<u>\$31,864,139</u>	<u>\$</u>	<u>\$ (422,336)</u>	<u>\$31,441,803</u>	<u>\$ 5,105,000</u>

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

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,035,000	\$ 3,346,155	\$ 6,381,155
2013	2,685,000	3,157,895	5,842,895
2014	2,860,000	2,987,977	5,847,977
2015	3,035,000	2,806,847	5,841,847
2016	3,230,000	2,614,505	5,844,505
2017-2021	8,610,000	10,905,955	19,515,955
2022-2026	12,130,000	7,384,000	19,514,000
2027-2030	<u>13,180,000</u>	<u>2,421,810</u>	<u>15,601,810</u>
	<u>\$48,765,000</u>	<u>\$35,625,144</u>	<u>\$84,390,144</u>

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 7 – LONG TERM LIABILITIES (Continued)

	<u>Business-Type Activities</u>		
	<u>Principal (1)</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 770,000	\$ 1,608,819	\$ 2,378,819
2013	805,000	1,572,194	2,377,194
2014	845,000	1,533,779	2,378,779
2015	885,000	1,493,374	2,378,374
2016	930,000	1,450,814	2,380,814
2017-2021	5,395,000	6,489,954	11,884,954
2022-2026	6,430,000	4,939,944	11,369,944
2027-2031	5,910,000	3,483,706	9,393,706
2032-2036	7,460,000	1,939,956	9,399,956
2037-2038	<u>3,505,000</u>	<u>256,237</u>	<u>3,761,237</u>
	<u>\$32,935,000</u>	<u>\$24,768,777</u>	<u>\$ 57,703,777</u>

(1)–The Golf Course Revenue Bonds, Series 1999 are shown with the original amortization schedule instead of the entire \$4,540,000 classified as current.

NOTE 8 - OPERATING LEASES

Equipment Lease

On March 26, 2009, the District entered into an operating lease for maintenance equipment for use on the Golf Course. The lease is for 36 months and requires monthly payments of \$9,906 that commenced in April 2009. For the year ended September 30, 2011, the District made payments of \$118,877 pursuant to the lease.

The following is a schedule of the District’s required future minimum lease payments under the agreement:

<u>Year Ended Sept. 30</u>	<u>Minimum Lease Payments</u>
2012	<u>\$ 59,438</u>

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 8 - OPERATING LEASES (Continued)

Golf Cart Lease

On September 16, 2009, the District entered into an operating lease for golf carts for use on the Golf Course. The lease is for 48 months and requires monthly payments of \$4,743 that commenced in September 2009. For the year ended September 30, 2011, the District made payments of \$68,087 pursuant to the lease.

The following is a schedule of the District's required future minimum lease payments under the agreement:

Year Ended <u>Sept. 30</u>	Minimum <u>Lease Payments</u>
2012	\$ 56,916
2013	<u>52,173</u>
Total	<u>\$ 109,089</u>

Sales Center Lease

On December 17, 2008, the District entered into an operating lease to rent a portion of the Sales Center. The lease is for 36 months beginning on April 1, 2009 and ending March 31, 2012. The District will receive rent in the amount of \$27,900 for the first year, \$29,600 in the second year and \$31,300 in the third year, rental payments will be received monthly. For the year ended September 30, 2011, the District recorded receipts of \$32,220 pursuant to the lease.

The following is a schedule of the District's expected future minimum lease receipts under the agreement:

Year Ended <u>Sept. 30</u>	Minimum <u>Lease Receipts</u>
2012	<u>\$ 15,650</u>

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 9 – DEVELOPER TRANSACTIONS

Beginning October 1, 2008, the District started operating as an independent entity that is supported by resident assessments and other related revenues. As a result, the Developer’s assessment has been added to the annual tax roll that is processed with the tax collector.

The District maintains a working capital line-of-credit with the Developer for the Golf Course Fund. During the fiscal year ended September 30, 2005 the line was modified to increase the amount available from \$654,001 to \$754,501 and to revise the interest rate from 8% to 6.6%. The amount owed as of September 30, 2011 is \$704,501.

In August 2004, the Developer agreed to lend the District up to \$1,500,000 to fund the purchase of approximately \$2,000,000 in face value of the Golf Course Revenue Bonds, Series 1999. The loan is non-interest bearing through September 30, 2011 at which time it will bear interest at a rate of 6.6% per annum. The funds were advanced by the Developer along with a contribution from the Developer of \$254,000 for a total of \$1,754,000 which was used to pay down the bonds and the Bond holders forgave \$254,000 which resulted in a gain to the District. The District will continue to owe the Developer for the Line of Credit in the Golf Fund until such time a refinancing or other arrangement is made to satisfy this debt.

NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at September 30, 2011, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Fund	\$ 7,744
Debt Service Fund	General Fund	33
Water Sewer Fund	General Fund	145
Water Sewer Fund	Golf Fund	3,232

The outstanding balance between funds results mainly from the time lag between the dates that payments between funds are made.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Fund	\$ 82,940

On August 27, 2009 the General Fund transferred to the Golf Fund \$85,800 to cover the Golf Fund debt service payment. The advance is to be repaid in 30 annual installments of \$2,860 and no interest due. During the fiscal year ended September 30, 2011, no payments were made to the General Fund.

The following is a summary of interfund transfers for the year ended September 30, 2011:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	\$ 148,400
Golf Fund	<u>148,400</u>	<u> </u>
Total transfers	<u>\$ 148,400</u>	<u>\$ 148,400</u>

The transfer from the General Fund to the Golf Fund was to move the portion of tax assessment revenues that related to the Golf Course.

NOTE 11 – COMMITMENTS

The District has contracted with Governmental Management Services, LLC to perform management advisory services. The agreement is for a period of three years beginning October 1, 2009 and ending September 30, 2012. Governmental Management Services, LLC will be paid a fixed management fee in the amount of \$135,000 annually. 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.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 11 – COMMITMENTS (Continued)

On June 24, 2008, the District entered into an agreement with Hampton Golf for the management of the golf course and the swim and tennis facilities, which are part of the General Fund. The agreement is for a period of three years beginning October 1, 2008 and ending September 30, 2011. Hampton Golf will be paid a fixed management fee in the amount of \$36,000 annually for the General Fund and \$96,000 annually for the Golf course. This agreement was extended for two additional one-year terms in the amount of \$36,000 annually for the General Fund and \$86,400 annually for the Golf course.

On June 26, 2008, the District entered into an agreement with Tree Amigos Outdoor Services for landscape maintenance services. The agreement is for a period of three years beginning October 1, 2008 and ending September 30, 2011. Tree Amigos Outdoor Services will be paid a fixed fee in the amount of \$835,000 for the first year, \$850,000 for the second year and \$881,000 for the third year. This agreement was extended for two additional one-year terms in the amount of \$881,000 annually. All payments to Tree Amigos Outdoor Services will be paid out of the General Fund.

NOTE 12 – 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 13 – DETERIORATING FINANCIAL CONDITION

A deteriorating financial condition exists with respect to the Golf Course operations. The District has an accumulated net deficit of \$705,393 and a decrease in net assets of \$285,870 in the Golf Course Fund for the year ended September 30, 2011. The Golf Course Revenue Bonds, Series 1999 requires the District to maintain rates and charges for the Golf Course such that net revenues are 1.10 times the Debt Service Requirement for all Outstanding Bonds plus the amount, if any, required to be deposited into the Reserve Account and Sinking Fund. The net revenues for the current fiscal year were \$1,064,244 short of meeting this requirement. The District did not make the April 1, 2011 debt service payment. The District is considering various options regarding the deteriorating financial condition of the Golf Course.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 13 – DETERIORATING FINANCIAL CONDITION (Continued)

In addition, a deteriorating financial condition exists with respect to the General Fund and the Debt Service Fund. As discussed in Note 4, the District has significant uncollected assessments related to fiscal years 2010 and 2011. Consequently, the District did not have sufficient funds necessary to make the November 1, 2011 interest payment due on the Series 2000C Bonds. Through September 30, 2011, all principal and interest payments on the Series 2000 Bonds were made timely.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to September 30, 2011, the District did not have sufficient funds to make the October 1, 2011 debt service payment in the Golf Fund. Additionally, there were not sufficient funds in the Debt Service Reserve Account to make the debt service payment. As a result, the Golf Course Revenue Bonds, Series 1999 were in arrears \$149,820 for the April 1, 2011 payment and \$354,820 for the October 1, 2011 payment. In addition, the District did not have sufficient funds to make the November 1, 2011 debt service payment in the Debt Service Fund. As a result, a portion of the Series 2000C interest payment was made by a draw on the Debt Service Reserve Account resulting in the Reserve Account to be underfunded by \$292,000. The District's failure to make scheduled debt service payments when they are due is considered an event of default.

NOTE 15 – ACCOUNTING CHANGE

GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The District implemented this standard in fiscal year 2011. Changes to the government fund type fund balance reporting are reflected in the financial statements and schedules. Related disclosures are included in Note 1.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE – 16 PRIOR PERIOD ADJUSTMENT

Water and Sewer Fund

The beginning net assets of the Water and Sewer Fund and the beginning business-type net assets were restated to record a prior period adjustment to reclassify deferred revenue. In the current year, the District went from a quarterly billing cycle to a monthly billing cycle for water and sewer billings. This transition was started in the prior year and there was an error in calculating the deferred revenue resulting in deferred revenue being understated and revenues and the change in net assets being overstated by \$332,000 for the prior year. A reconciliation of the prior period ending net assets to the current year beginning net assets is presented below:

	<u>Water and Sewer Fund</u>	<u>Business-type Activities</u>
Beginning net assets	\$(8,773,090)	\$(9,192,613)
Adjustment to reclassify Deferred revenue	<u>(332,000)</u>	<u>(332,000)</u>
Beginning net assets, as restated	<u>\$(9,105,090)</u>	<u>\$(9,524,613)</u>

The above adjustment had no effect on the change in net assets for the current year.

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Assessments	\$ 3,196,831	\$ 3,196,831	\$ 2,601,382	\$ (595,449)
User fees	269,451	269,451	265,859	(3,592)
Storage and rental fees	128,850	128,850	129,048	198
Interest and other revenues	7,000	7,000	113,057	106,057
Total revenues	<u>3,602,132</u>	<u>3,602,132</u>	<u>3,109,346</u>	<u>(492,786)</u>
Expenditures				
Current				
Maintenance	2,677,054	2,677,054	2,570,683	106,371
Capital outlay	360,000	360,000	222,340	137,660
Total expenditures	<u>3,037,054</u>	<u>3,037,054</u>	<u>2,793,023</u>	<u>244,031</u>
Excess (deficiency) of revenues over (under) expenditures	<u>565,078</u>	<u>565,078</u>	<u>316,323</u>	<u>(248,755)</u>
Other financing sources (uses):				
Transfers out	<u>(148,400)</u>	<u>(148,400)</u>	<u>(148,400)</u>	
Total other financing sources (uses)	<u>(148,400)</u>	<u>(148,400)</u>	<u>(148,400)</u>	
Net change in fund balances	<u>\$ 416,678</u>	<u>\$ 416,678</u>	167,923	<u>\$ (248,755)</u>
Fund balances				
Beginning of year			<u>1,617,617</u>	
End of year			<u>\$ 1,785,540</u>	

**THE CROSSINGS AT FLEMING ISLAND
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
Notes to the Budgetary
Required Supplementary Information (RSI)
September 30, 2011**

Note 1 - Basis of Accounting

Generally accepted accounting principals (GAAP) serve as the budgetary basis of accounting.

Note 2 - Stewardship, Compliance, and Accountability

The legal level of budgetary control, the level at which expenditures may not exceed budgeted appropriations, is in the aggregate (total expenditures for the respective funds). For the current year, there were no excess expenditures over appropriations.



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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
The Crossings at Fleming Island Community Development District
Clay County, Florida

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of The Crossings at Fleming Island Community Development District, Clay County, Florida (the "District") as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 27, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described below.

Finding 2010-01

Condition: The District did not meet the debt service requirements for the Revenue Bonds Series 1999 Bonds. The net revenues for the current fiscal year were approximately \$1,064,244 short of meeting this requirement. As of September 30, 2011, the combined Reserve Account and Sinking Fund balances were approximately \$656,922 short of meeting the required minimum balances.

Criteria: The covenants of the Golf Course Revenue Bonds, Series 1999 require the District to maintain rates and charges such that pledged revenues are sufficient to pay the sum of the following three items: (i) the cost of operation and maintenance, (ii) 1.10 times the bond debt service requirement, and (iii) all other deposits to be made pursuant to the agreement. The covenants also require the District to maintain certain minimum balances in a Reserve Account and a Sinking Fund Account.

Effect: Non compliance with bond covenants.

Recommendation: We recommend that the District consider doing a rate study to determine if the current rates are adequate to provide sufficient revenues for the debt service coverage requirements and also to monitor the debt service coverage throughout the year so that appropriate actions can be taken to increase revenues or cut expenses to ensure future compliance.

Management Response: The District has and continues to work toward a long-term financial solution including hiring an independent golf course consultant which included a review of rates, negotiate with long-term debt holders, provide additional revenues, review rates, fees and charges and critical review of expenditures. The overall decline in the economy and golf industry continues to present challenges to the District.

Finding 2011-01

Condition: The District did not make the April 1, 2011 interest payment due on the Revenue Bonds Series 1999 Bonds. Additionally, subsequent to year end, the District did not make the October 1, 2011 debt service payment.

Criteria: Failure to pay the interest payment results in an event of default as defined in the Trust Indenture.

Effect: Trustee may declare the bonds immediately due and payable.

Recommendation: We recommend that the District make the debt service payments when due.

Management Response: The District has and continues to work toward a long-term financial solution including hiring an independent golf course consultant, negotiate with long-term debt holders, provide additional revenues, review rates, fees and charges and critical review of expenditures. The overall decline in the economy and golf industry continues to present challenges to the District. The golf course is not generating sufficient revenues in order to make mandatory debt service payments.

We also noted certain matters that we have reported to the District's management in the Management Letter dated March 27, 2012.

This report is intended solely for the information and use of the Board of Supervisors, management, and is not intended to be and should not be used by anyone other than those specified parties.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
March 27, 2012



NOWLEN, HOLT & MINER, P.A.

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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Supervisors
The Crossings at Fleming Island Community Development District
Clay County, Florida

We have audited the basic financial statements of The Crossings at Fleming Island Community Development District (the "District"), as of and for the year ended September 30, 2011, and have issued our report thereon dated March 27, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's 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*. Disclosures in that report, which is dated March 27, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the Chapter 10.550, Rules of the Auditor General, which governs the conduct of local government entity audits in the State of Florida. This letter includes the following information, which was not included in the aforementioned auditor's reports.

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. We noted that the *Journal Entries* and the *Segregation of Duties* comments made in the prior year was adequately addressed and no longer apply.

The following prior year comments were in the prior two years audit report and still apply in the current year.

Finding: Consideration of Financial Emergency Criteria

Condition: Rules of the Auditor General, require a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met.

In connection with our audit, we determined that the District did meet the condition described in 218.503(1)(a) and 218.503(1)(e), Florida Statutes. The District did not make the April 1, 2011 debt service payment on the Revenue Bonds Series 1999 in the Golf Course Fund. In addition, the District has reported deficit net assets in the Statement of Net Assets – Governmental Activities and Business-type Activities. These conditions were the result of a deteriorating financial condition; see Note 13 for additional details.

Management Response: The District has taken actions recommended by the auditor and continues to work toward a long-term financial solution including hiring an independent golf course consultant to evaluate the golf course in accordance with bond indenture.

Finding: Financial Condition Assessment Procedures

Condition: Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Crossings at Fleming Island Community Development District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide by management. Our assessment was done as of the fiscal year end.

A deteriorating financial condition exists with respect to the Golf Course operations. The District has an accumulated net deficit of \$705,393 and a negative change in net assets of \$285,870 in the Golf Course Fund. The Revenue Bonds Series 1999 requires the District to maintain rates and charges for the Golf Course such that net revenues are 1.10 times the Debt Service Requirement for all Outstanding Bonds plus the amount, if any, required to be deposited into the Reserve Account and Sinking Fund. The net revenues for the current fiscal year were approximately \$1,064,244 short of meeting this requirement. The District did not make the April 1, 2011 debt service payment. The District is considering various options regarding the deteriorating financial condition of the Golf Course.

In addition, a deteriorating financial condition exists with respect to the General Fund and the Debt Service Fund. The District has significant uncollected assessments related to fiscal years 2010 and 2011.

We recommend that management and the Board take action to address the District's financial condition. Long-term financial plans must be developed to enable financial stability. Actions should include, at a minimum:

- A critical review of all expenditures to identify those which can be eliminated or reduced.
- Identification of additional sources of funds that can be used for administrative expenses.
- Negotiations with creditors to schedule payments over an extended period of time.

Management Response: The District has continued to work toward a long-term financial solution including but not limited to hiring an independent golf course consultant whose report recommended minor changes to the golf course operations, negotiate with long-term debt holders, provided additional revenues from General Fund, review rates, and charges and critical review of expenditures. The overall decline in the economy and golf industry continues to present challenges to the District.

As noted in the 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 Standard*, Findings 2010-01 and 2010-02 are prior year comments that continue to apply.

CURRENT YEAR COMMENTS

Investment of Public Funds

Rules of the Auditor General, require our audit to include a review of the District's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

Recommendations to Improve Financial Management

Rules of the Auditor General require that we address in the Management Letter any recommendations to improve financial management. Current year comments are presented below.

Finding 2011-02: Fixed Asset Reporting

Condition: We noted that the detailed fixed asset records are maintained in an Excel spreadsheet. Fixed asset maintenance duties such as recording additions, deletions, depreciation, and transfers are done manually on the Excel spreadsheet. We also noted assets were disposed of during the year that did not have a fixed asset disposal forms making it impossible to determine the proper asset to dispose of.

Criteria: To prevent errors and omissions fixed asset disposal forms should be filled out for fixed asset disposals.

Effect: Maintaining the detailed fixed asset records on an Excel spreadsheet increases the risk of materially misstating fixed assets due to spreadsheet formula errors. Not filling out disposal forms increases the risk of materially misstating fixed assets due to disposing an asset in the wrong year and also could result in disposing of an asset without proper authorization.

Recommendation: We recommend that the District consider purchasing fixed asset software to maintain the detailed fixed asset records. The best software package would be one that would integrate with the District's general ledger software. If fixed asset software is not purchased the District should add additional controls over the review and approval of the excel spreadsheets. In addition, we recommend that the District complete fixed asset disposal forms and reconcile the general ledger control account to the detailed subsidiary ledger on at least a monthly basis.

Management Response: The District's Management Company will consider the purchase of fixed asset software if determined to increase the accuracy of reporting fixed assets in accordance with auditor's recommendations.

Finding 2011-03: Bank Reconciliations

Condition: We noted that the same individual, who can approve cash disbursements, also has check signing and wire transfer capabilities, opens the bank statement and prepares the bank reconciliation.

Criteria: Proper review of bank reconciliations, on a timely basis, is necessary to ensure the accuracy of posting cash receipts and cash disbursements, to effectively manage cash, and to safeguard the District cash from fraud.

Effect: Errors or irregularities may occur and not be detected by others in the performance of their assigned duties.

Recommendation: We recommend the District put procedures in place to have an individual other than the individual who prepares bank reconciliations open the bank statements and review cash receipts and disbursements for reasonableness before the bank reconciliation is prepared. We also recommend that another individual review the bank reconciliation after the reconciliation is completed.

Management Response: The District Manager will implement the above procedures in accordance with the auditor's recommendations.

Violations of Contracts and Grant Provisions or Abuse

Rules of the Auditor General, require that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Matters Inconsequential to the Financial Statements

Rules of the Auditor General provide that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Oversight Unit and Component Units

Rules of the Auditor General, require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements, but has been repeated here.

The Crossings at Fleming Island Community Development District is an independent local unit of special purpose government established in 1989 by the Florida Land and Water Adjudicatory Commission of Chapter 42H-1 pursuant to the provisions of Chapter 190 Florida Statutes.

Annual Financial Report

Rules of the Auditor General require that we determine whether the annual financial report for the Crossings at Fleming Island Community Development District for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in substantial agreement.

Excess of Expenditures Over Appropriations

As reported in Note 2 to the Budgetary Required Supplementary Information for the year ended September 30, 2011, the General Funds expenditures did not exceed budgeted amounts.

The District's responses to the findings identified in our audit are described above. We did not audit the District's response and, accordingly, we express no opinion on it.

Pursuant to Chapter 119, Florida Statutes, this Management Letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the District Board of Supervisors, others within the entity and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen Holt & Mimer, P.A.

West Palm Beach, Florida
March 27, 2012