

**The Crossings at Fleming Island
Community Development District**

ANNUAL FINANCIAL REPORT

September 30, 2013

The Crossings at Fleming Island Community Development District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2013

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of The Crossings at Fleming Island Community Development District as of and for the year ended September 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Fort Pierce / Stuart

To the Board of Supervisors
The Crossings at Fleming Island Community Development District

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and business-type activities, and each major fund of The Crossings at Fleming Island Community Development District as of September 30, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note J and Note K to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, the deferred amount on refunding was reclassified from a liability to a deferred outflow of resources, net assets were renamed net position, bond issuance costs were expensed as of October 1, 2012 and net position was restated in accordance with The Crossings at Fleming Island Community Development District's implementation of Governmental Accounting Standards Board Statement No. 65. Our opinion is not modified with respect to this matter.

Other Matters

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, economical or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally 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 the sufficient evidence to express an opinion or provide any assurance.

To the Board of Supervisors
The Crossings at Fleming Island Community Development District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts.

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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Crossings at Fleming Island Community Development District's internal control over financial reporting and compliance.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

June 27, 2014

**The Crossings at Fleming Island Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

Management's discussion and analysis of The Crossings at Fleming Island Community Development District's (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements comprise three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and business-type activities and the change in net position. Governmental activities are primarily supported by assessments. Business-type activities are supported by charges to the users of those activities, such as water and sewer usage.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position is reported in three categories; 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities separate from the assets, liabilities, and net position of business-type activities.

The statement of activities presents information on all revenues and expenses of the District and the change in net position. Expenses and related program revenues are reported by major function, 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 government, physical environment, and interest on long term debt. Business-type activities of the District include the water and sewer operation and interest on long term debt.

Fund financial statements present financial information for governmental funds and enterprise funds. These statements provide financial information for the major and other governmental funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources. The enterprise fund financial statements provide information on all assets and liabilities of the fund, changes in the economic resources (revenues and expenses), and total economic resources.

**The Crossings at Fleming Island Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual** is provided for the District's General Fund. For the enterprise fund, a **statement of fund net position**, a **statement of revenues, expenses, and changes in fund net position**; and a **statement of cash flows** are presented. *Fund financial statements* provide more detailed 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.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

Notes to 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, capital assets and long-term debt are some of the items included in the *Notes to financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2013.

- ◆ The District's total liabilities exceeded total assets by \$(43,577,036) (net position). Invested in capital assets net of related debt for Governmental Activities was \$(1,852,152). Invested in capital assets net of related debt for Business-type Activities was \$(6,423,181). Unrestricted net position for Governmental Activities was \$(30,831,389) and for Business-type Activities was \$(7,176,495). Restricted net position for Governmental Activities was \$455,843 and for Business-type Activities was \$2,250,338.
- ◆ Governmental activities revenues totaled \$8,489,490 while governmental activities expenses and transfers totaled \$6,306,187. Business-type revenues and transfers totaled \$7,247,712 while business-type expenses totaled \$7,572,472.

**The Crossings at Fleming Island Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District and is presented by category for comparison purposes.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 2,020,281	\$ 1,946,380	\$ 3,160,722	\$ 2,845,348	\$ 5,181,003	\$ 4,791,728
Restricted assets	4,120,519	5,425,897	3,051,824	3,079,852	7,172,343	8,505,749
Capital assets	6,026,084	5,425,914	17,723,714	18,294,692	23,749,798	23,720,606
Other assets	-	-	-	-	-	-
Total Assets	<u>12,166,884</u>	<u>12,798,191</u>	<u>23,936,260</u>	<u>24,219,892</u>	<u>36,103,144</u>	<u>37,018,083</u>
Deferred Outflows	-	-	963,669	1,032,393 *	963,669	1,032,393
Current liabilities	4,244,582	4,174,192	6,049,139	5,267,498	10,293,721	9,441,690
Non-current liabilities	<u>40,150,000</u>	<u>43,035,000</u>	<u>30,200,128</u>	<u>31,009,365 *</u>	<u>70,350,128</u>	<u>74,044,365</u>
Total Liabilities	<u>44,394,582</u>	<u>47,209,192</u>	<u>36,249,267</u>	<u>36,276,863</u>	<u>80,643,849</u>	<u>83,486,055</u>
Net Position						
Invested in capital assets	(1,852,152)	(1,724,480)	(6,423,181)	(7,942,925) *	(8,275,333)	(9,667,405) *
Net position - restricted	455,843	-	2,250,338	803,444	2,706,181	803,444
Net position - unrestricted	<u>(30,831,389)</u>	<u>(32,686,521)</u>	<u>(7,176,495)</u>	<u>(3,885,097)</u>	<u>(38,007,884)</u>	<u>(36,571,618)</u>
Total Net Position	<u>\$ (32,227,698)</u>	<u>\$ (34,411,001)</u>	<u>\$ (11,349,338)</u>	<u>\$ (11,024,578) *</u>	<u>\$ (43,577,036)</u>	<u>\$ (45,435,579) *</u>

*Restated

The increase in current assets for Business-type Activities was primarily due to revenues in excess of expenses in the Water and Sewer Fund in the current year.

The decrease in restricted assets for Governmental Activities was primarily due to debt service payments in excess of debt service special assessments in the current year.

The decrease in total liabilities for Governmental Activities was primarily due to bond principal payments in the current year.

**The Crossings at Fleming Island Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

Change In Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues						
Charges for service	\$ 8,486,367	\$ 8,767,765	\$ 7,095,221	\$ 7,134,823	\$ 15,581,588	\$ 15,902,588
General Revenues						
Investment earnings	3,123	4,128	2,491	2,624	5,614	6,752
Total Revenues	<u>8,489,490</u>	<u>8,771,893</u>	<u>7,097,712</u>	<u>7,137,447</u>	<u>15,587,202</u>	<u>15,909,340</u>
Expenses						
General government	303,049	317,310	-	-	303,049	317,310
Physical environment	1,290,937	1,404,118	-	-	1,290,937	1,404,118
Culture and recreation	1,378,528	1,351,178	-	-	1,378,528	1,351,178
Interest on long-term debt	3,183,673	3,368,096	1,874,902	1,872,360 *	5,058,575	5,240,456 *
Water and sewer	-	-	3,726,311	3,608,057	3,726,311	3,608,057
Golf and restaurant	-	-	1,971,259	2,070,525	1,971,259	2,070,525
Total Expenses	<u>6,156,187</u>	<u>6,440,702</u>	<u>7,572,472</u>	<u>7,550,942</u>	<u>13,728,659</u>	<u>13,991,644</u>
Transfers	(150,000)	(150,000)	150,000	150,000	-	-
Change in Net Position	2,183,303	2,181,191	(324,760)	(263,495) *	1,858,543	1,917,696 *
Net Position - Beginning of Year	<u>(34,411,001)</u>	<u>(36,592,192)</u>	<u>(11,024,578)</u>	<u>(10,761,083) *</u>	<u>(45,435,579)</u>	<u>(47,353,275) *</u>
Net Position - End of Year	<u>\$ (32,227,698)</u>	<u>\$ (34,411,001)</u>	<u>\$ (11,349,338)</u>	<u>\$ (11,024,578) *</u>	<u>\$ (43,577,036)</u>	<u>\$ (45,435,579) *</u>

* Restated

The decrease in charges for services for Governmental Activities was primarily due to a decrease in special assessments in the current year.

The decrease in total expenses for Governmental Activities was primarily due to a decrease in depreciation and interest expense in the current year.

The decrease in charges for services for Business-type Activities was primarily due to a decrease in revenues generated by the golf course in the current year.

The increase in water and sewer expenses for Business-type Activities was primarily due to an increase in the number of users connected to the system in the current year.

**The Crossings at Fleming Island Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity as of September 30, 2013.

Description	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,298,612	\$ 2,298,612	\$ 3,598,831	\$ 3,598,831	\$ 5,897,443	\$ 5,897,443
Construction in progress	124,397	124,397	-	-	124,397	124,397
Water and sewer facilities	-	-	20,096,198	20,096,198	20,096,198	20,096,198
Golf course and improvements	-	-	3,203,216	3,203,216	3,203,216	3,203,216
Improvements and equipment	5,455,227	4,727,385	107,569	107,569	5,562,796	4,834,954
Accumulated depreciation	(1,852,152)	(1,724,480)	(9,282,100)	(8,711,122)	(11,134,252)	(10,435,602)
Total Capital Assets (Net)	<u>\$ 6,026,084</u>	<u>\$ 5,425,914</u>	<u>\$ 17,723,714</u>	<u>\$ 18,294,692</u>	<u>\$ 23,749,798</u>	<u>\$ 23,720,606</u>

Governmental activities added \$727,842 in improvements and equipment and depreciation expense was \$127,672. During the year, depreciation expense was \$570,978 for Business-type activities.

General Fund Budgetary Highlights

The budget exceeded governmental expenditures primarily because of lower physical environment cost than were anticipated.

There were no amendments to the September 30, 2013 budget.

Debt Management

Governmental Activities debt includes the following:

- ◆ In 2000, the District issued \$73,710,000 Series 2000 Special Assessment Refunding Bonds. The bonds are comprised of \$4,640,000 Series 2000A, \$20,215,000 Series 2000B, and \$48,855,000 Series 2000C with interest rates ranging from 4.50% to 7.10%. These 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. As of September 30, 2013, \$43,005,000 was still outstanding.

**The Crossings at Fleming Island Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Debt Management (Continued)

Business-Type Activities debt includes the following:

- ◆ In 1999, the District issued \$7,835,000 Golf Course Revenue Bonds, Series 1999 with a fixed interest rate of 6.60%. These bonds were issued to finance the acquisition and construction of certain infrastructure within the District. The District has not made \$425,000 in principal payments, which is reflected as matured bonds payable. The unmatured balance outstanding at September 30, 2012 was \$4,115,000.
- ◆ In 2007, the District issued \$28,900,000 Revenue Refunding Bonds, Series 2007 with interest rates ranging from 3.75% to 4.875%. These bonds were issued to primarily to refinance the Utility Revenue Bonds, Series 1994 and 1999 and certain developer loans made to support the operations of the Utility System. As of September 30, 2013, \$27,245,000 was still outstanding.

Economic Factors and Next Year's Budget

There is no way to predict what significant effect the current economic condition and the matured bonds payable will have on the financial position or results of operations of the District in fiscal year 2014.

Request for Information

The financial report is designed to provide a general overview of The Crossings at Fleming Island Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Crossings at Fleming Island Community Development District, Governmental Management Services - SF, 5385 N Nob Hill Road, Sunrise, FL 33351.

The Crossings at Fleming Island Community Development District
STATEMENT OF NET POSITION
September 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and equivalents	\$ 964,294	\$ 1,327,926	\$ 2,292,220
Investments, at fair value	752,615	1,228,991	1,981,606
Accounts receivable	40,481	342,659	383,140
Prepaid items and deposits	153,939	79,451	233,390
Inventory	7,087	58,955	66,042
Internal balances	86,692	(85,800)	892
Restricted assets:			
Cash restricted for customer deposits	15,173	209,432	224,605
Total Current Assets	2,020,281	3,161,614	5,181,895
Non-current Assets			
Restricted assets			
Investments, at fair value	4,120,519	3,051,824	7,172,343
Capital assets:			
Nondepreciable	2,423,009	3,598,831	6,021,840
Depreciable	5,455,227	23,406,985	28,862,212
Less: accumulated depreciation	(1,852,152)	(9,282,102)	(11,134,254)
Total Non-current Assets	10,146,603	20,775,538	30,922,141
Total Assets	12,166,884	23,937,152	36,104,036
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	-	963,669	963,669
Total Assets and Deferred Outflows of Resources	12,166,884	24,900,821	37,067,705
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	89,708	305,519	395,227
Other liabilities	41,160	76,173	117,333
Accrued interest payable	1,243,541	1,071,364	2,314,905
Deferred revenues	-	79,585	79,585
Matured interest payable	-	832,566	832,566
Matured bonds payable	-	425,000	425,000
Due to developer	-	2,204,500	2,204,500
Bonds payable, current portion	2,855,000	845,000	3,700,000
Payable from restricted assets:			
Customer deposits	15,173	209,432	224,605
Total Current Liabilities	4,244,582	6,049,139	10,293,721
Non-current Liabilities			
Bonds payable	40,150,000	30,200,128	70,350,128
Total Liabilities	44,394,582	36,249,267	80,643,849
NET POSITION			
Invested in capital assets, net of related debt	(1,852,152)	(6,423,181)	(8,275,333)
Restricted for debt service	455,843	1,979,114	2,434,957
Restricted for renewal and replacement	-	271,224	271,224
Unrestricted	(30,831,389)	(7,176,495)	(38,007,884)
Total Net Position	\$ (32,227,698)	\$ (11,349,338)	\$ (43,577,036)

See accompanying notes to financial statements.

The Crossings at Fleming Island Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position		Total
			Governmental Activities	Business-type Activities	
Governmental Activities					
General government	\$ (303,049)	\$ 569,227	\$ 266,178	\$ -	\$ 266,178
Physical environment	(1,290,937)	2,424,810	1,133,873	-	1,133,873
Culture and recreation	(1,378,528)	399,091	(979,437)	-	(979,437)
Interest on long-term debt	(3,183,673)	5,093,239	1,909,566	-	1,909,566
Total Governmental Activities	<u>(6,156,187)</u>	<u>8,486,367</u>	<u>2,330,180</u>	<u>-</u>	<u>2,330,180</u>
Business-type Activities					
Water and sewer utilities	(5,100,742)	5,368,809	-	268,067	268,067
Golf and restaurant	(2,471,730)	1,726,412	-	(745,318)	(745,318)
Total Business-type Activities	<u>(7,572,472)</u>	<u>7,095,221</u>	<u>-</u>	<u>(477,251)</u>	<u>(477,251)</u>
Total Primary Government	<u><u>\$(13,728,659)</u></u>	<u><u>\$15,581,588</u></u>	<u>2,330,180</u>	<u>(477,251)</u>	<u>1,852,929</u>
General Revenues and Transfers					
Investment earnings			3,123	2,491	5,614
Transfers			(150,000)	150,000	-
Total General Revenues and Transfers			<u>(146,877)</u>	<u>152,491</u>	<u>5,614</u>
Change in Net Position			2,183,303	(324,760)	1,858,543
Net Position - October 1, 2012			<u>(34,411,001)</u>	<u>(11,024,578)</u>	<u>(45,435,579)</u>
Net Position - September 30, 2013			<u><u>\$(32,227,698)</u></u>	<u><u>\$ (11,349,338)</u></u>	<u><u>\$(43,577,036)</u></u>

See accompanying notes to financial statements.

The Crossings at Fleming Island Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalent	\$ 964,294	\$ -	\$ -	\$ 964,294
Investments, at fair value	752,615	-	-	752,615
Accounts receivable	40,481	-	-	40,481
Inventory	7,087	-	-	7,087
Prepaid items	118,939	-	-	118,939
Due from other funds	892	-	-	892
Deposits	35,000	-	-	35,000
Advances to other funds	85,800	-	-	85,800
Restricted assets				
Cash restricted for customer deposits	15,173	-	-	15,173
Investments, at fair value	-	4,013,477	107,042	4,120,519
Total Assets	<u>\$ 2,020,281</u>	<u>\$ 4,013,477</u>	<u>\$ 107,042</u>	<u>\$ 6,140,800</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 89,708	\$ -	\$ -	\$ 89,708
Other liabilities	41,160	-	-	41,160
Customer deposits payable from restricted assets	15,173	-	-	15,173
Total Liabilities	<u>146,041</u>	<u>-</u>	<u>-</u>	<u>146,041</u>
Fund Balances:				
Nonspendable:				
Prepaid expenses	118,939	-	-	118,939
Advances to other funds	85,800	-	-	85,800
Deposits	35,000	-	-	35,000
Inventory	7,087	-	-	7,087
Restricted for debt service	-	4,013,477	-	4,013,477
Restricted for capital projects	-	-	107,042	107,042
Assigned:				
Capital projects	116,369	-	-	116,369
Unassigned	1,511,045	-	-	1,511,045
Total Fund Balances	<u>1,874,240</u>	<u>4,013,477</u>	<u>107,042</u>	<u>5,994,759</u>
Total Liabilities and Fund Balances	<u>\$ 2,020,281</u>	<u>\$ 4,013,477</u>	<u>\$ 107,042</u>	<u>\$ 6,140,800</u>

See accompanying notes to financial statements.

**The Crossings at Fleming Island Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2013**

Total Governmental Fund Balances	\$ 5,994,759
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets not being depreciated, land, \$2,298,612, and construction in process, \$124,397, used in governmental activities are not financial resources and; therefore, are not reported in the funds.	2,423,009
Capital assets being depreciated, furniture, improvements and equipment \$5,455,227, less accumulated depreciation, \$(1,852,152), used in governmental activities are not financial resources and; therefore, are not reported in the funds.	3,603,075
Long-term liabilities, bonds payable, are not due and payable in the current period and; therefore, are not reported in the funds.	(43,005,000)
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported in the funds.	<u>(1,243,541)</u>
Net Position of Governmental Activities	<u><u>\$ (32,227,698)</u></u>

See accompanying notes to financial statements.

The Crossings at Fleming Island Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013

	General	Debt Service	Capital Projects	Totals Governmental Funds
Revenues				
Special assessments	\$ 2,896,680	\$ 5,093,239	\$ -	\$ 7,989,919
User fees	399,091	-	-	399,091
Storage and rental fees	97,357	-	-	97,357
Investment earnings	2,574	548	1	3,123
Total Revenues	<u>3,395,702</u>	<u>5,093,787</u>	<u>1</u>	<u>8,489,490</u>
Expenditures				
Current				
General government	303,049	-	-	303,049
Physical environment	1,163,265	-	-	1,163,265
Recreation	1,378,528	-	-	1,378,528
Capital outlay	299,008	-	428,834	727,842
Debt service				
Principal	-	2,715,000	-	2,715,000
Interest	-	3,155,593	-	3,155,593
Other	-	99,739	-	99,739
Total Expenditures	<u>3,143,850</u>	<u>5,970,332</u>	<u>428,834</u>	<u>9,543,016</u>
Excess (deficiency) of revenues over (under) expenditures	<u>251,852</u>	<u>(876,545)</u>	<u>(428,833)</u>	<u>(1,053,526)</u>
Other financing sources (uses)				
Transfers out	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>
Net change in fund balances	<u>101,852</u>	<u>(876,545)</u>	<u>(428,833)</u>	<u>(1,203,526)</u>
Fund Balances - October 1, 2012	<u>1,772,388</u>	<u>4,890,022</u>	<u>535,875</u>	<u>7,198,285</u>
Fund Balances - September 30, 2013	<u>\$ 1,874,240</u>	<u>\$ 4,013,477</u>	<u>\$ 107,042</u>	<u>\$ 5,994,759</u>

See accompanying notes to financial statements.

**The Crossings at Fleming Island Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013**

Net Change in Fund Balances -Total Governmental Funds \$ (1,203,526)

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 those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation, \$127,672, was exceeded by capital outlay, \$727,842, in the current period. 600,170

Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities. 2,715,000

Accrued interest expense is reported in the statement of activities but in governmental funds interest expenditures are reported when due. This is the net amount between current year and prior year accruals. 71,659

Change in Net Assets of Governmental Activites \$ 2,183,303

See accompanying notes to financial statements.

The Crossings at Fleming Island Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Assessments	\$3,196,832	\$ 3,196,832	\$ 2,896,680	\$ (300,152)
User fees	425,000	425,000	399,091	(25,909)
Storage and rental fees	98,400	98,400	97,357	(1,043)
Investment earnings	2,500	2,500	2,574	74
Total Revenues	<u>3,722,732</u>	<u>3,722,732</u>	<u>3,395,702</u>	<u>(327,030)</u>
Expenditures				
Current				
General government	275,021	275,021	303,049	(28,028)
Physical environment	1,638,346	1,638,346	1,163,265	475,081
Recreation	1,409,365	1,409,365	1,378,528	30,837
Capital outlay	250,000	250,000	299,008	(49,008)
Total Expenditures	<u>3,572,732</u>	<u>3,572,732</u>	<u>3,143,850</u>	<u>428,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>150,000</u>	<u>150,000</u>	<u>251,852</u>	<u>101,852</u>
Other financing sources (uses)				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>101,852</u>	<u>101,852</u>
Fund Balance - October 1, 2012	<u>-</u>	<u>-</u>	<u>1,772,388</u>	<u>1,772,388</u>
Fund Balance - September 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,874,240</u>	<u>\$ 1,874,240</u>

See accompanying notes to financial statements.

The Crossings at Fleming Island Community Development District
STATEMENT OF FUND NET POSITION –
PROPRIETARY FUNDS
September 30, 2013

ASSETS	Water and Sewer	Golf Course	Total
Current Assets			
Cash and cash equivalents	\$ 1,026,978	\$ 300,948	\$ 1,327,926
Investments	1,228,909	82	1,228,991
Accounts receivable	246,970	95,689	342,659
Prepaid items and deposits	43,880	35,571	79,451
Inventory	-	58,955	58,955
Restricted Assets			
Cash restricted for customer deposits	209,432	-	209,432
Total Current Assets	<u>2,756,169</u>	<u>491,245</u>	<u>3,247,414</u>
Non-current Assets			
Restricted Assets-			
Investments	2,885,310	166,514	3,051,824
Capital Assets:			
Land, buildings and equipment	20,096,498	6,909,318	27,005,816
Accumulated depreciation	(7,899,817)	(1,382,285)	(9,282,102)
Total Non-current Assets	<u>15,081,991</u>	<u>5,693,547</u>	<u>20,775,538</u>
Total Assets	<u>17,838,160</u>	<u>6,184,792</u>	<u>24,022,952</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	963,669	-	963,669
Total Assets and Deferred Outflows of Resources	<u>18,801,829</u>	<u>6,184,792</u>	<u>24,986,621</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	280,110	25,409	305,519
Other liabilities	5,274	70,899	76,173
Due to other funds	-	892	892
Accrued interest payable	634,972	436,392	1,071,364
Deferred revenues	-	79,585	79,585
Matured interest payable	-	832,566	832,566
Matured bonds payable	-	425,000	425,000
Due to developer	-	2,204,500	2,204,500
Bonds payable, current portion	610,000	235,000	845,000
Payable from restricted assets			
Customer deposits	209,432	-	209,432
Total Current Liabilities	<u>1,739,788</u>	<u>4,310,243</u>	<u>6,050,031</u>
Non-current Liabilities			
Advances from other funds	-	85,800	85,800
Bonds payable	26,320,128	3,880,000	30,200,128
Total Non-current Liabilities	<u>26,320,128</u>	<u>3,965,800</u>	<u>30,285,928</u>
Total Liabilities	<u>28,059,916</u>	<u>8,276,043</u>	<u>36,335,959</u>
NET ASSETS			
Invested in capital assets, net of related debt	(6,936,148)	512,967	(6,423,181)
Restricted:			
Debt service	1,979,114	-	1,979,114
Renewal and replacement	271,224	-	271,224
Unrestricted	(4,572,277)	(2,604,218)	(7,176,495)
Total Net Assets	<u>\$ (9,258,087)</u>	<u>\$ (2,091,251)</u>	<u>\$ (11,349,338)</u>

See accompanying notes to financial statements.

The Crossings at Fleming Island Community Development District
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended September 30, 2013

	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenues			
Charges for Services			
Water and sewer charges	\$ 5,368,809	\$ -	\$ 5,368,809
Golf and restaurant	-	1,726,412	1,726,412
Total Operating Revenues	<u>5,368,809</u>	<u>1,726,412</u>	<u>7,095,221</u>
Operating Expenses			
Water and sewer	3,231,130	-	3,231,130
Golf and restaurant	-	1,895,462	1,895,462
Depreciation	495,181	75,797	570,978
Total Operating Expenses	<u>3,726,311</u>	<u>1,971,259</u>	<u>5,697,570</u>
Operating Income	<u>1,642,498</u>	<u>(244,847)</u>	<u>1,397,651</u>
Non-operating revenues/(expenses)			
Interest earnings	2,064	427	2,491
Interest expense	<u>(1,374,431)</u>	<u>(500,471)</u>	<u>(1,874,902)</u>
Total Non-operating Revenues/(Expenses)	<u>(1,372,367)</u>	<u>(500,044)</u>	<u>(1,872,411)</u>
Net Income Before Transfers	270,131	(744,891)	(474,760)
Transfers from other funds	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Change in Net Position	270,131	(594,891)	(324,760)
Net Position - October 1, 2012	<u>(9,528,218)</u>	<u>(1,496,360)</u>	<u>(11,024,578)</u>
Net Position - September 30, 2013	<u>\$ (9,258,087)</u>	<u>\$ (2,091,251)</u>	<u>\$ (11,349,338)</u>

See accompanying notes to financial statements.

The Crossings at Fleming Island Community Development District
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
For the Year Ended September 30, 2013

	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Cash Flows From Operating Activities			
Cash received from customers	\$ 5,470,084	\$ 1,728,805	\$ 7,198,889
Cash paid to suppliers	(3,210,856)	(1,911,708)	(5,122,564)
Net Cash Provided (Used) By Operating Activities	<u>2,259,228</u>	<u>(182,903)</u>	<u>2,076,325</u>
Cash Flows From Internal Activities			
Cash received from other funds	-	150,000	150,000
Cash Flows From Capital Activities			
Interest paid on capital debt	(1,281,644)	-	(1,281,644)
Principal payments on long-term debt	(585,000)	-	(585,000)
Net Cash Used By Capital And Related Financing Activities	<u>(1,866,644)</u>	<u>-</u>	<u>(1,866,644)</u>
Cash Flows From Investing Activities			
Sales of Investments	1,866,644	83,251	1,949,895
Purchases of investments	(2,554,015)	(41,642)	(2,595,657)
Interest income	2,064	427	2,491
Net Cash Provided (Used) By Investing Activities	<u>(685,307)</u>	<u>42,036</u>	<u>(643,271)</u>
Net increase (decrease) in cash and equivalents	(292,723)	9,133	(283,590)
Cash and equivalents, beginning of year	<u>1,529,133</u>	<u>291,815</u>	<u>1,820,948</u>
Cash and equivalents, end of year	<u>\$ 1,236,410</u>	<u>\$ 300,948</u>	<u>\$ 1,537,358</u>
Reconciliation of Net Operating Income to Net Cash Provided By Operating Activities			
Cash Flows From Operating Activities:			
Operating income	<u>\$ 1,642,498</u>	<u>\$ (244,847)</u>	<u>\$ 1,397,651</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	495,181	75,797	570,978
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	94,148	3,770	97,918
(Increase) decrease in inventory	-	(4,052)	(4,052)
(Increase) decrease in prepaid expenses	(27,019)	3,545	(23,474)
(Increase) decrease in due from other funds	-	3,542	3,542
Increase (decrease) in accounts payable	47,293	(23,278)	24,015
Increase (decrease) in other current liabilities	-	6,647	6,647
Increase (decrease) in due to other funds	-	892	892
Increase (decrease) in deferred revenues	-	(4,919)	(4,919)
Increase in customer deposits	7,127	-	7,127
Total Adjustments	<u>616,730</u>	<u>61,944</u>	<u>678,674</u>
Net Cash Provided By Operating Activities	<u>\$ 2,259,228</u>	<u>\$ (182,903)</u>	<u>\$ 2,076,325</u>

See accompanying notes to financial statements.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF ACCOUNTING POLICIES

The financial statements of The Crossings at Fleming Island Community Development District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

The 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, for the purpose of planning, financing, constructing, operating, and maintaining certain community-wide infrastructure. The District is governed by a five member Board of Supervisors, who are elected to a term of four years, by qualified electors of the District.

As required by GAAP, these financial statements present the The Crossings at Fleming Island Community Development District (the primary government), as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth by the Governmental Accounting Standards Board, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include separate columns for the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements (Continued)

Governmental activities which normally are supported by special assessments, rents and interest, are reported separately from business-type activities. Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financial source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Governmental Funds

The District classifies fund balance according to Governmental Accounting Standards Board Statement 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

The District has various policies governing the fund balance classifications.

Nonspendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy - For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Enterprise Funds

In the fund financial statements, the enterprise fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, enterprise funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The District applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with, or contradict, GASB pronouncements.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as other financing sources.

Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation

a. Governmental Major Funds

General Fund

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund – Series 2000

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

Capital Projects Fund

The capital projects fund is used to account for the financial resources used for the acquisition, construction, installation and equipping of infrastructure improvements.

b. Enterprise Major Fund

Water and Sewer Fund

The water and sewer fund accounts 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 the debt service on the bonds so that the system revenues meet or exceed system expenses.

Golf Fund

The golf fund accounts for the operations of the Golf Course, Pro Shop and Restaurant within the District.

c. Non-current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds be reported in the governmental activities column in the government-wide statement of net position.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit with original maturities of three months or less and held in a qualified public depository as defined by Florida Statute 280.02.

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances".

c. Restricted Assets

Certain net position of the District are classified as restricted assets on the Statement of Net Position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

d. Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the applicable governmental or business-type activities column.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method over the assets' useful lives ranging from 5 to 40 years.

e. Deferred Outflows of Resources

Deferred outflows of resources are consumptions of net position by the government that are applicable to a future reporting period. The deferred amount on refunding is amortized and recognized as a component of interest expense over the life of the bond.

f. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Section 200.065 of the Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget columns of the accompanying financial statements may occur.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

“Total fund balances” of the District’s governmental funds (\$5,994,759) differs from “net position” of governmental activities (\$(32,227,698)) reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated as follows.

Capital related items

When capital assets (property, plant and equipment that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the District as a whole.

Land	\$ 2,298,612
Furniture and equipment	5,455,227
Construction in progress	124,397
Accumulated depreciation	<u>(1,852,152)</u>
Total	<u>\$ 6,026,084</u>

Long-term debt transactions

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. Balances at September 30, 2013 were:

Bonds payable	<u>\$ (43,005,000)</u>
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Accrued interest

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to accrued interest on bonds.

Accrued interest	<u>\$ (1,243,541)</u>
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The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for government funds (\$1,203,526) differs from the “change in net position” for governmental activities (\$2,183,303) reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated as follows.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charged for the year.

Depreciation expense		\$ (127,672)
Capital outlay		<u>727,842</u>
Total		<u><u>\$ 600,170</u></u>

Long-term debt transactions

Repayments of bond principal are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

Bond principal payments		<u><u>\$ 2,715,000</u></u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net change in accrued interest payable		<u><u>\$ 71,659</u></u>
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The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE C - CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. The District does, however, follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2013, the District's bank balance was \$2,537,647 and the carrying value was \$2,514,725. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2013, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
First American US Treasury Money Market Class Z	N/A	\$ 2,766,889
First American Government Obligation Fund Class Y	N/A	3,057,226
Money market mutual fund	N/A	1,520,182
Local Government Surplus Florida PRIME	N/A	<u>1,809,652</u>
Total		<u><u>\$ 9,153,949</u></u>

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes. Among other investments, the policy allows the District to invest in the State Board of Administration Local Government Surplus Trust Funds.

Cash placed with the State Board of Administration represents the District's participation in the Local Government Surplus Trust Funds Investment Pool and is reported at fair value. As a pool participant the District invests in pools of investments in which shares are owned in the pool rather than the underlying investments. These funds are divided into the LGIP fund and Fund B. On August 3, 2009 the SBA announced Florida Prime as the highly enhanced version of the SBA's prior Local Government Investment Pool.

These funds are not subject to withdrawal, but will be paid as they mature. Fair market value is determined and reported as disclosed by the State Board of Administration. The calculation of the net change in the fair value of investments is independent of the calculation of realized gains and losses.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investments in treasury funds, money markets, and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. The Local Government Surplus Funds Trust is an authorized investment under Section 218.415, Florida Statutes. The District's investments in the state investment pool and government loans are limited by state statutory requirements and bond compliance. The District has monies invested with the Local Government Surplus Funds Trust Fund (Fund), at September 30, 2013. This fund met the requirements of a "2a7-like pool" as defined in Government Accounting Standards Board, Statement 31.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in First American US Treasury Money Market Class Z represent 30% of the District's investments. The investments in First American Government Obligation Fund Class Y represent 33% of the District's total investments. The investments in Money Market Mutual Funds represent 17% of the District's investments. The investments in Local Government Surplus Trust Funds represent less than 20% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2013 were typical. The First American US Treasury Money Market Class Z, First American Government Obligations Fund Class Y, and Florida PRIME were rated AAAM by Standard & Poor's. The Money Market Mutual Funds were rated A-1+ by Standard & Poor's.

NOTE D – SPECIAL ASSESSMENT REVENUES

Assessment revenues recognized for the 2012-2013 fiscal year were levied in October 2012. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE E – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2013 was as follows:

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
<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 Depreciated	<u>2,423,009</u>	<u>-</u>	<u>-</u>	<u>2,423,009</u>
Capital assets, being depreciated:				
Improvements and equipment	4,727,385	727,842	-	5,455,227
Total Capital Assets, Being Depreciated	<u>4,727,385</u>	<u>727,842</u>	<u>-</u>	<u>5,455,227</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(1,724,480)	(127,672)	-	(1,852,152)
Total accumulated depreciation	<u>(1,724,480)</u>	<u>(127,672)</u>	<u>-</u>	<u>(1,852,152)</u>
Total capital assets depreciated, net	<u>3,002,905</u>	<u>600,170</u>	<u>-</u>	<u>3,603,075</u>
Governmental Activities Capital Assets	<u>\$ 5,425,914</u>	<u>\$ 600,170</u>	<u>\$ -</u>	<u>\$ 6,026,084</u>

Depreciation expense of \$127,672 was charged to physical environment.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE E – CAPITAL ASSETS (CONTINUED)

Capital Asset activity for the year ended September 30, 2013 was as follows:

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 3,598,831	\$ -	\$ -	\$ 3,598,831
Total Capital Assets, not Depreciated	<u>3,598,831</u>	<u>-</u>	<u>-</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
Improvements and equipment	107,569	-	-	107,569
Total Capital Assets, Being Depreciated	<u>23,406,983</u>	<u>-</u>	<u>-</u>	<u>23,406,983</u>
Less accumulated depreciation for:				
Water and sewer facilities	(7,404,635)	(495,181)	-	(7,899,816)
Golf course and improvements	(1,198,918)	(75,797)	-	(1,274,715)
Furniture, fixtures and equipment	(107,569)	-	-	(107,569)
Total accumulated depreciation	<u>(8,711,122)</u>	<u>(570,978)</u>	<u>-</u>	<u>(9,282,100)</u>
Total capital assets depreciated, net	<u>14,695,861</u>	<u>(570,978)</u>	<u>-</u>	<u>14,124,883</u>
Business-type Activities Capital Assets	<u>\$ 18,294,692</u>	<u>\$ (570,978)</u>	<u>\$ -</u>	<u>\$ 17,723,714</u>

Depreciation expense of \$495,181 was charged to cost of sales and services in the Water and Sewer Fund and \$75,797 in the Golf Course Fund.

NOTE F – LONG-TERM DEBT

The following is a summary of activity in the long-term debt of the District for the year ended September 30, 2013:

Governmental Activities

Long-term debt at October 1, 2012	\$ 45,720,000
Principal payments	<u>(2,715,000)</u>
Long-term debt at September 30, 2013	43,005,000
Bonds payable, net	<u>\$ 43,005,000</u>

Due to uncollected special assessments, the District was required to use reserve funds to make the current year debt service payments on the Series 2000C Bonds and as a result the reserve requirement was not met as of September 30, 2013.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE F – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2013 are as follows:

Year Ending September 30,	Principal	Interest	Total
2014	\$ 2,855,000	\$ 2,984,498	\$ 5,839,498
2015	3,030,000	2,803,720	5,833,720
2016	3,225,000	2,611,730	5,836,730
2017	1,495,000	2,406,545	3,901,545
2018	1,600,000	2,300,400	3,900,400
2019-2023	9,875,000	9,627,600	19,502,600
2024-2028	13,910,000	5,588,055	19,498,055
2029-2030	7,015,000	754,730	7,769,730
Totals	<u>\$ 43,005,000</u>	<u>\$ 29,077,278</u>	<u>\$ 72,082,278</u>

Business-type Activities

Long-term debt at October 1, 2012	\$ 32,165,000
Principal payments and maturities	<u>(805,000)</u>
Long-term debt at September 30, 2013	31,360,000
Less: Discount	<u>(314,872)</u>
Bonds payable, net	<u>\$ 31,045,128</u>

The District has not made a payment on the Golf Course Revenue Bonds, Series 1999 since April 1, 2011. As a result, matured interest payable of \$832,566 and matured bonds payable of \$425,000 are reported on the Statement of Net Position. As of September 30, 2013, the reserve requirement for the Series 1999 Bonds was not met.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE F – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2013 are as follows:

Year Ending September 30,	Principal	Interest	Total
2014	\$ 845,000	\$ 1,501,624	\$ 2,346,624
2015	885,000	1,459,724	2,344,724
2016	930,000	1,413,854	2,343,854
2017	975,000	1,363,994	2,338,994
2018	1,025,000	1,311,464	2,336,464
2019-2023	5,960,000	5,668,104	11,628,104
2024-2028	6,065,000	4,039,219	10,104,219
2029-2033	6,485,000	2,600,919	9,085,919
2034-2038	8,190,000	823,125	9,013,125
Totals	<u>\$ 31,360,000</u>	<u>\$ 20,182,027</u>	<u>\$ 51,542,027</u>

Summary of Significant Bonds Resolution Terms and Covenants

Special Assessment Revenue Bonds – Series 2000

In May 2000, the District issued \$73,710,000 Series 2000 Special Assessment Revenue Bonds with interest rates ranging from 4.5% to 7.10%. These bonds were issued to refund the Special Assessment Refunding Bonds, Series 1993 and Series 1995 and to finance the acquisition, construction and installation of roads, water management and control facilities, recreational facilities and certain other related projects and improvements located within and without the boundaries of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal is to be paid serially commencing May 1, 2001 through May 1, 2030.

The Bonds may, at the option of the District be called for redemption as a whole at any time or in part on any interest payment date on or after May 1, 2000 at a redemption price set in the Bond Indenture.

The Bonds are subject to mandatory redemption prior to maturity in the manner determined by the trustee and the District Manager if certain events occurred as outlined in the Bond Indenture.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE F – LONG-TERM DEBT (CONTINUED)

Utility Revenue Refunding Bonds – Series 2007

In 2007, the District issued \$28,900,000 Series 2007 Utility Revenue Refunding Bonds with interest rates ranging from 3.75% to 4.875%. These bonds were issued to refund all of the outstanding Utility Revenue Bonds, Series 1994 and 1999. Principal & interest are to be paid annually on October 1, through October 1, 2037.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to establish rates in amounts adequate to provide payment of debt service and to meet certain trust indenture provisions.

Golf Course Revenue Bonds – Series 1999

In May 1999, the District issued \$7,835,000 Series 1999 Golf Course Revenue Bonds with a fixed interest rate of 6.60%. These 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. Principal is to be paid serially commencing October 1, 2001.

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

NOTE G – DEVELOPER TRANSACTIONS

The District maintains a working capital line-of-credit with the Developer for the Golf Course Fund. The total credit available is \$754,501 and the interest rate is 6.6%. The amount owed as of September 30, 2013 was \$704,501 and accrued interest was \$95,890.

The Developer loaned the District \$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 bears an interest 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. Accrued interest as of September 30, 2013 was \$204,707.

**The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

NOTE H – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at September 30, 2013, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Fund	\$ 892

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Fund	\$85,800

On August 27, 2009 the General Fund transferred to \$85,800 to the Golf Fund to cover the Golf Fund debt service payment. The advance is to be repaid in 30 annual installments of \$2,860. During the fiscal year ended September 30, 2013, no payments were made to the General Fund.

The following is a summary of interfund transfers for the year ended September 30, 2013:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 150,000	\$ -
Golf Fund	-	150,000
Total Transfers	<u>\$ 150,000</u>	<u>\$ 150,000</u>

The funds were transferred to move the portion of special assessments revenues that related to the Golf Course.

NOTE I – RISK MANAGEMENT

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

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE J – NET POSITION

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 63, which amends net asset reporting by establishing deferred outflows and deferred inflows of resources and renamed the residual measure net position. The District also adopted GASB Statement No. 65, which reclassified certain accounts as deferred outflows and deferred inflows of resources. As a result of the new accounting standards, the deferred amount on refunding was reclassified from a liability to a deferred outflow of resources and net assets were renamed net position.

NOTE K – BOND ISSUANCE COSTS

Governmental Accounting Standards Board Statement No. 65 altered accounting for bond issuance costs by requiring such cost be expensed in the period incurred. Bond issuance costs were previously capitalized and amortized over the life of the bond. Net position was restated to reflect this change in accounting principles. The effect on net position is illustrated below.

Business-type Activities

Water and Sewer Fund

Net position, October 1, 2012 as previously reported	\$ (8,651,415)
Prior period adjustment - removal of bond issuance costs	(876,803)
Net position, October 1, 2012 restated	\$ (9,528,218)

Golf Course Fund

Net position, October 1, 2012 as previously reported	\$ (1,277,280)
Prior period adjustment - removal of bond issuance costs	(219,080)
Net position, October 1, 2012 restated	\$ (1,496,360)

NOTE L – SUBSEQUENT EVENTS

In January 2014, the District filed a foreclosure lawsuit on certain commercial property within the District. The foreclosure process is currently on hold as the District works on refinancing and restructuring the Special Assessment Revenue Bonds, Series 2000B and 2000C.



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**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**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of The Crossings at Fleming Island Community Development District (the District) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise The Crossings at Fleming Island Community Development District's basic financial statements, and have issued our report thereon dated June 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered The Crossings at Fleming Island Community Development District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Crossings at Fleming Island Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of The Crossings at Fleming Island Community Development District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Fort Pierce / Stuart

To the Board of Supervisors
The Crossings at Fleming Island Community Development District

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 grant 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 were reported to management in a separate letter dated June 27, 2014.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants, PL
Fort Pierce, Florida

June 27 2014



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MANAGEMENT LETTER

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

We have audited the financial statements of the The Crossings at Fleming Island Community Development District, Florida as of and for the year ended September 30, 2013, and have issued our report thereon dated June 27, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Florida Auditor General. We have issued our 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 June 27, 2014 should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General which governs the conduct of local entity audits performed in the State of Florida.

The Rules of the Auditor General (Section 10.554(1)(i)1.) require that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. The following prior year comments continue to apply in the current year.

Finding: Consideration of Financial Emergency Criteria

Finding: The District continues to meet conditions described in Section 218.503(1), Florida Statutes, related to the failure to make debt service payments when due.

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 the bond indenture.

To the Board of Supervisors
The Crossings at Fleming Island Community Development District

Finding: Financial Condition Assessment Procedures

Finding: A deteriorating condition exists with respect to the General Fund, Debt Service Fund, and Golf Course Fund. The General and Debt Service Funds have significant uncollected assessments related to fiscal years 2010 – 2013. The Golf Course Fund has an accumulated net position deficit and continues to report negative changes in net position.

Management Response: The District continues to work toward a long-term financial solution including hiring an independent golf course consultant, negotiating with long-term debt holders, and reviewing other possibilities to increase revenues and decrease expenses. The overall decline in the economy and golf industry continues to present challenges to the District.

Finding 2012-01

Finding: The District reported a net asset deficit in the Water and Sewer Fund and the Golf Course Fund for which sufficient resources were not available to cover the deficit.

Management Response: The net asset deficit in the Water and Sewer Facility is primarily related to depreciation and assets being conveyed to other governments that were financed with long-term bonds. The Water and Sewer Fund continues to meet its Trust Indenture requirement of 115% debt service coverage. The District continues to work on improving the performance of the golf course operations to meet its financial obligations, however the overall decline in the economy and golf course industry continue to present challenges to the District.

As required by the Rules of the Auditor General (Section 10.554(1)(i)2.) the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes regarding the investment of public funds. In connection with our audit, we determined that The Crossings at Fleming Island Community Development District complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)3, 4 and 5.) require that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls: improvements in financial management and violations of contracts or grant agreements, fraud, illegal acts or abuse and deficiencies in internal control that are not significant deficiencies, other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor.

Finding 2013-01

Finding: The District did not meet the reserve requirement on the Series 2000C Special Assessment Refunding Bonds and on the Series 1999 Golf Course Revenue Bonds as set forth in the Trust Indenture. In a prior year, the District used reserve funds for debt service payments.

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 the bond indenture. Furthermore, Management is working with the landowner and bond holders to refinance and restructure the Series 2000C Bonds.

To the Board of Supervisors
The Crossings at Fleming Island Community Development District

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.c and Section 10.556(7)), we applied financial conditions assessment procedures. It is Management's responsibility to monitor the entity's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same.

The Crossings at Fleming Island Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, related to the failure to make certain debt service payments when due.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the District for the fiscal year ended September 30, 2013, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with our annual financial audit report for the fiscal year ended September 30, 2013.

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Berger, Toombs, Elam,
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June 27, 2014