

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

ANNUAL FINANCIAL REPORT

September 30, 2014

The Crossings at Fleming Island Community Development District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2014

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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, 2014, 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.

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, 2014, 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.

Other Matters

Required Supplementary Information

Governmental accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *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 in accordance with governmental auditing standards generally accepted in the United States of America, which consisted principally of inquires of management regarding 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2015 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

April 30, 2015

**The Crossings at Fleming Island Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014**

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) net investment in capital assets, 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, 2014**

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, 2014.

- ◆ The District's total liabilities exceeded total assets by \$(31,993,592) (net position). Net investment in capital assets for Governmental Activities was \$(905,620). Net investment in capital assets for Business-type Activities was \$(6,585,758). Unrestricted net position for Governmental Activities was \$(22,624,667) and for Business-type Activities was \$(4,794,781). Restricted net position for Governmental Activities was \$641,759 and for Business-type Activities was \$2,275,475.
- ◆ Governmental activities revenues and gain on debt extinguishment totaled \$17,399,508 while governmental activities expenses and transfers totaled \$8,060,338. Business-type revenues, debt forgiveness and transfers totaled \$9,609,722 while business-type expenses totaled \$7,216,413.

**The Crossings at Fleming Island Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014**

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	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 2,243,991	\$ 2,020,281	\$ 3,333,567	\$ 3,011,687	\$ 5,577,558	\$ 5,031,968
Restricted assets	4,568,101	4,120,519	3,066,634	3,051,824	7,634,735	7,172,343
Capital assets	6,257,467	6,026,084	17,152,736	17,723,714	23,410,203	23,749,798
Total Assets	<u>13,069,559</u>	<u>12,166,884</u>	<u>23,552,937</u>	<u>23,787,225</u>	<u>36,622,496</u>	<u>35,954,109</u>
Deferred Outflows	1,115,517	-	898,004	963,669	2,013,521	963,669
Current liabilities	3,447,975	4,244,582	4,208,464	6,049,139	7,656,439	10,293,721
Non-current liabilities	33,625,629	40,150,000	29,347,541	30,200,128	62,973,170	70,350,128
Total Liabilities	<u>37,073,604</u>	<u>44,394,582</u>	<u>33,556,005</u>	<u>36,249,267</u>	<u>70,629,609</u>	<u>80,643,849</u>
Net Position						
Invested in capital assets	(905,620)	(1,852,152)	(6,585,758)	(6,423,181)	(7,491,378)	(8,275,333)
Net position - restricted	641,759	455,843	2,275,475	2,250,338	2,917,234	2,706,181
Net position - unrestricted	<u>(22,624,667)</u>	<u>(30,831,389)</u>	<u>(4,794,781)</u>	<u>(7,325,530)</u>	<u>(27,419,448)</u>	<u>(38,156,919)</u>
Total Net Position	<u>\$ (22,888,528)</u>	<u>\$ (32,227,698)</u>	<u>\$ (9,105,064)</u>	<u>\$ (11,498,373)</u>	<u>\$ (31,993,592)</u>	<u>\$ (43,726,071)</u>

The increase in current assets for Governmental Activities was primarily due to the collection of delinquent assessments.

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 increases in restricted assets and deferred outflows and the decrease in total liabilities for Governmental Activities was primarily related to the refunding of Series 2000B and 2000C bonds with the issuance of Series 2014A Special Assessment Reserve and Refunding Bonds.

**The Crossings at Fleming Island Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014**

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	
	2014	2013	2014	2013	2014	2013
Program Revenues						
Charges for service	\$ 9,034,739	\$ 8,486,367	\$ 6,951,477	\$ 6,946,186	\$ 15,986,216	\$ 15,432,553
General Revenues						
Miscellaneous revenues	163,000	-	-	-	163,000	-
Investment earnings	1,769	3,123	2,248	2,491	4,017	5,614
Total Revenues	<u>9,199,508</u>	<u>8,489,490</u>	<u>6,953,725</u>	<u>6,948,677</u>	<u>16,153,233</u>	<u>15,438,167</u>
Expenses						
General government	364,352	303,049	-	-	364,352	303,049
Physical environment	1,252,086	1,290,937	-	-	1,252,086	1,290,937
Culture and recreation	1,337,055	1,378,528	-	-	1,337,055	1,378,528
Interest on long-term debt	4,956,845	3,183,673	1,711,399	1,874,902	6,668,244	5,058,575
Water and sewer	-	-	3,471,408	3,726,311	3,471,408	3,726,311
Golf and restaurant	-	-	2,033,606	1,971,259	2,033,606	1,971,259
Total Expenses	<u>7,910,338</u>	<u>6,156,187</u>	<u>7,216,413</u>	<u>7,572,472</u>	<u>15,126,751</u>	<u>13,728,659</u>
Transfers	(150,000)	(150,000)	150,000	150,000	-	-
Gain on debt extinguishment	8,200,000	-	-	-	8,200,000	-
Debt forgiveness	-	-	2,505,997	-	2,505,997	-
Change in Net Position	9,339,170	2,183,303	2,393,309	(473,795)	11,732,479	1,709,508
Net Position - Beginning of Year	<u>(32,227,698)</u>	<u>(34,411,001)</u>	<u>(11,498,373)</u>	<u>(11,024,578)</u>	<u>(43,726,071)</u>	<u>(45,435,579)</u>
Net Position - End of Year	<u>\$ (22,888,528)</u>	<u>\$ (32,227,698)</u>	<u>\$ (9,105,064)</u>	<u>\$ (11,498,373)</u>	<u>\$ (31,993,592)</u>	<u>\$ (43,726,071)</u>

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

The increase in miscellaneous revenues for Governmental Activities was related to refinancing of the bonds.

The increase in total expenses for Governmental Activities was primarily due to the interest payments and other debt service costs related to the refunding of Series 2000B and 2000C.

The increase in the change in net position for Governmental Activities and Business-type Activities related to the current year gain on debt extinguishment and forgiveness of debt, respectively.

**The Crossings at Fleming Island Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014**

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, 2014.

Description	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,298,612	\$ 2,298,612	\$ 3,598,831	\$ 3,599,131	\$ 5,897,443	\$ 5,897,743
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	3,202,918	3,203,216	3,202,918
Improvements and equipment	5,855,595	5,455,227	107,569	107,569	5,963,164	5,562,796
Accumulated depreciation	(2,021,137)	(1,852,152)	(9,853,080)	(9,282,102)	(11,874,217)	(11,134,254)
Total Capital Assets (Net)	<u>\$ 6,257,467</u>	<u>\$ 6,026,084</u>	<u>\$ 17,152,734</u>	<u>\$ 17,723,714</u>	<u>\$ 23,410,201</u>	<u>\$ 23,749,798</u>

Governmental activities added \$400,368 in improvements and equipment and depreciation was \$168,985. During the year, depreciation was \$570,978 for Business-type activities.

General Fund Budgetary Highlights

The actual expenditures were less than the budget primarily because of lower physical environment cost than were anticipated.

There were no amendments to the September 30, 2014 budget.

Debt Management

Governmental Activities debt includes the following:

- ◆ In August 2014, the District issued \$37,005,000 Series 2014 Special Assessment Revenue and Refunding Bonds. The bonds are comprised of \$24,500,000 Series 2014A-1, \$3,840,000 Series 2014A-2, \$5,440,000 Series 2014A-3 and \$3,225,000 Series 2014A-4 with interest rates ranging from 1.50% to 7.00%. These bonds were issued to refund the Special Assessment Refunding Bonds, Series 2000 and to finance the acquisition and construction of certain infrastructure projects within the District. As of September 30, 2014, \$37,005,000 was still outstanding.

**The Crossings at Fleming Island Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014**

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 \$660,000 in principal payments, which is reflected as matured bonds payable. The unmatured balance outstanding at September 30, 2012 was \$3,880,000.
- ◆ In 2007, the District issued \$28,900,000 Utility Refunding Revenue 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, 2014, \$26,635,000 was the outstanding balance.

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 2015.

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, LLC, 5385 N Nob Hill Road, Sunrise, FL 33351.

The Crossings at Fleming Island Community Development District
STATEMENT OF NET POSITION
September 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and equivalents	\$ 1,106,557	\$ 1,311,438	\$ 2,417,995
Investments, at fair value	753,829	1,590,541	2,344,370
Accounts receivable	85,124	188,214	273,338
Prepaid items and deposits	145,315	96,255	241,570
Inventory	10,757	57,727	68,484
Internal balances	128,061	(128,061)	-
Restricted assets:			
Cash restricted for customer deposits	14,348	217,453	231,801
Total Current Assets	<u>2,243,991</u>	<u>3,333,567</u>	<u>5,577,558</u>
Non-current Assets			
Restricted assets			
Investments, at fair value	4,568,101	3,066,634	7,634,735
Capital assets:			
Nondepreciable	2,423,009	3,599,131	6,022,140
Depreciable	5,855,595	23,406,685	29,262,280
Less: accumulated depreciation	(2,021,137)	(9,853,080)	(11,874,217)
Total Non-current Assets	<u>10,825,568</u>	<u>20,219,370</u>	<u>31,044,938</u>
Total Assets	<u>13,069,559</u>	<u>23,552,937</u>	<u>36,622,496</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	1,115,517	898,004	2,013,521
Total Assets and Deferred Outflows of Resources	<u>14,185,076</u>	<u>24,450,941</u>	<u>38,636,017</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	107,285	382,686	489,971
Other liabilities	-	5,274	5,274
Accrued interest payable	289,465	750,812	1,040,277
Deferred revenues	46,877	99,141	146,018
Matured interest payable	-	1,208,098	1,208,098
Matured bonds payable	-	660,000	660,000
Bonds payable, current portion	2,990,000	885,000	3,875,000
Payable from restricted assets:			
Customer deposits	14,348	217,453	231,801
Total Current Liabilities	<u>3,447,975</u>	<u>4,208,464</u>	<u>7,656,439</u>
Non-current Liabilities			
Bonds payable	<u>33,625,629</u>	<u>29,347,541</u>	<u>62,973,170</u>
Total Liabilities	<u>37,073,604</u>	<u>33,556,005</u>	<u>70,629,609</u>
NET POSITION			
Net investment in capital assets	(905,620)	(6,585,758)	(7,491,378)
Restricted for debt service	641,759	2,004,235	2,645,994
Restricted for renewal and replacement	-	271,240	271,240
Unrestricted	(22,624,667)	(4,794,781)	(27,419,448)
Total Net Position	<u>\$ (22,888,528)</u>	<u>\$ (9,105,064)</u>	<u>\$ (31,993,592)</u>

See accompanying notes to financial statements.

The Crossings at Fleming Island Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Governmental Activities					
General government	\$ (364,352)	\$ 721,522	\$ 357,170	\$ -	\$ 357,170
Physical environment	(1,252,086)	2,479,490	1,227,404	-	1,227,404
Culture and recreation	(1,337,055)	379,971	(957,084)	-	(957,084)
Interest on long-term debt	<u>(4,956,845)</u>	<u>5,453,756</u>	<u>496,911</u>	<u>-</u>	<u>496,911</u>
Total Governmental Activities	<u>(7,910,338)</u>	<u>9,034,739</u>	<u>1,124,401</u>	<u>-</u>	<u>1,124,401</u>
Business-type Activities					
Water and sewer utilities	(4,815,030)	5,248,967	-	433,937	433,937
Golf and restaurant	<u>(2,401,383)</u>	<u>1,702,510</u>	<u>-</u>	<u>(698,873)</u>	<u>(698,873)</u>
Total Business-type Activities	<u>(7,216,413)</u>	<u>6,951,477</u>	<u>-</u>	<u>(264,936)</u>	<u>(264,936)</u>
Total Primary Government	<u>\$ (15,126,751)</u>	<u>\$ 15,986,216</u>	<u>1,124,401</u>	<u>(264,936)</u>	<u>859,465</u>
General Revenues and Transfers					
Investment earnings			1,769	2,248	4,017
Miscellaneous revenues			163,000	-	163,000
Transfers			<u>(150,000)</u>	<u>150,000</u>	<u>-</u>
Total General Revenues and Transfers			<u>14,769</u>	<u>152,248</u>	<u>167,017</u>
Gain on debt extinguishment			8,200,000	-	8,200,000
Debt forgiveness			-	2,505,997	2,505,997
Change in Net Position			1,139,170	(112,688)	1,026,482
Net Position - October 1, 2013			<u>(32,227,698)</u>	<u>(11,498,373)</u>	<u>(43,726,071)</u>
Net Position - September 30, 2014			<u>\$ (22,888,528)</u>	<u>\$ (9,105,064)</u>	<u>\$ (31,993,592)</u>

See accompanying notes to financial statements.

The Crossings at Fleming Island Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,059,473	\$ 47,084	\$ -	\$ 1,106,557
Investments, at fair value	753,829	-	-	753,829
Accounts receivable	48,366	36,758	-	85,124
Inventory	10,757	-	-	10,757
Prepaid items	110,315	-	-	110,315
Due from other funds	42,261	-	-	42,261
Deposits	35,000	-	-	35,000
Advances to other funds	85,800	-	-	85,800
Restricted assets				
Cash restricted for customer deposits	14,348	-	-	14,348
Investments, at fair value	-	2,877,797	1,690,304	4,568,101
Total Assets	\$ 2,160,149	\$ 2,961,639	\$ 1,690,304	\$ 6,812,092
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 107,285	\$ -	\$ -	\$ 107,285
Unearned revenues	46,877	-	-	46,877
Customer deposits payable from restricted assets	14,348	-	-	14,348
Total Liabilities	168,510	-	-	168,510
Fund Balances:				
Nonspendable:				
Prepaid expenses	110,315	-	-	110,315
Advances to other funds	85,800	-	-	85,800
Deposits	35,000	-	-	35,000
Inventory	10,757	-	-	10,757
Restricted for debt service	-	2,961,639	-	2,961,639
Restricted for capital projects	-	-	1,690,304	1,690,304
Assigned:				
Capital projects	193,521	-	-	193,521
Unassigned	1,556,246	-	-	1,556,246
Total Fund Balances	1,991,639	2,961,639	1,690,304	6,643,582
Total Liabilities and Fund Balances	\$ 2,160,149	\$ 2,961,639	\$ 1,690,304	\$ 6,812,092

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, 2014**

Total Governmental Fund Balances	\$ 6,643,582
 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 progress, \$124,397, used in governmental activities are not financial resources and; therefore, are not reported in the governmental funds.	2,423,009
Capital assets being depreciated, furniture, improvements and equipment \$5,855,595, less accumulated depreciation, \$(2,021,137), used in governmental activities are not financial resources and; therefore, are not reported in the governmental funds.	3,834,458
Long-term liabilities, bonds payable, are not due and payable in the current period and; therefore, are not reported in the funds.	(37,005,000)
Deferred outflows of resources, deferred amounts on refunding, \$1,128,594, net of accumulated amortization, \$(13,077) used in governmental activities are not financial resources and; therefore, are not reported in the funds.	1,115,517
Bond discount being amortized, \$392,437 net of accumulated amortization, \$(3,066), used in governmental activities are not financial resources and; therefore, are not reported in the governmental funds.	389,371
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported in the governmental funds.	<u>(289,465)</u>
 Net Position of Governmental Activities	 <u><u>\$ (22,888,528)</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, 2014

	General	Debt Service	Capital Projects	Totals Governmental Funds
Revenues				
Special assessments	\$ 3,105,013	\$ 5,453,756	\$ -	\$ 8,558,769
User fees	379,971	-	-	379,971
Storage and rental fees	95,999	-	-	95,999
Miscellaneous revenues	-	163,000	-	163,000
Investment earnings	1,214	550	5	1,769
Total Revenues	<u>3,582,197</u>	<u>5,617,306</u>	<u>5</u>	<u>9,199,508</u>
Expenditures				
Current				
General government	364,352	-	-	364,352
Physical environment	1,083,101	-	-	1,083,101
Recreation	1,337,055	-	-	1,337,055
Capital outlay	266,949	-	133,419	400,368
Debt service				
Principal	-	34,805,000	-	34,805,000
Interest	-	3,758,274	-	3,758,274
Other	-	2,136,504	-	2,136,504
Total Expenditures	<u>3,051,457</u>	<u>40,699,778</u>	<u>133,419</u>	<u>43,884,654</u>
Excess (deficiency) of revenues over (under) expenditures	<u>530,740</u>	<u>(35,082,472)</u>	<u>(133,414)</u>	<u>(34,685,146)</u>
Other financing sources (uses)				
Refunding bond proceeds	-	37,005,000	-	37,005,000
Refunding bond discount	-	(392,437)	-	(392,437)
Payment to escrow agent	-	(1,128,594)	-	(1,128,594)
Transfers in/(out)	(413,341)	(1,453,335)	1,716,676	(150,000)
Total Other Financing Sources (Uses)	<u>(413,341)</u>	<u>34,030,634</u>	<u>1,716,676</u>	<u>35,333,969</u>
Net change in fund balances	<u>117,399</u>	<u>(1,051,838)</u>	<u>1,583,262</u>	<u>648,823</u>
Fund Balances - October 1, 2013	<u>1,874,240</u>	<u>4,013,477</u>	<u>107,042</u>	<u>5,994,759</u>
Fund Balances - September 30, 2014	<u>\$ 1,991,639</u>	<u>\$ 2,961,639</u>	<u>\$ 1,690,304</u>	<u>\$ 6,643,582</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, 2014**

Net Change in Fund Balances -Total Governmental Funds \$ 648,823

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. This is the amount by which depreciation, \$168,985, was exceeded by capital outlay, \$400,368, in the current period. 231,383

Repayment of long-term liabilities are reported as expenditures in the governmental fund statement, but such repayments reduce liabilities in the Statement of Net Position and are eliminated on the Statement of Activities. 34,805,000

Bond proceeds are reported as an other financing source in the governmental fund statement, but such new bond issuance is reported as a liability in the Statement of Net Position and is eliminated on the Statement of Activities. (37,005,000)

Payments made to escrow in excess of the net carrying amount of the refunded bonds are reported as expenditures in the governmental fund statement, but are reported as a deferred outflow of resources on the Statement of Net Position and is eliminated on the Statement of Activities. 1,128,594

Bond discounts on long term liabilities are reported as an other financing use in the governmental funds statement, but reduce long term bonds payable in Statement of Net Position. 392,437

Amortization of bond discount, \$(3,066), and deferred amount on refunding, \$(13,077), is not recognized in the governmental fund statements, but is reported as interest in the statement of activities. (16,143)

Gain on the extinguishment of debt reported in governmental activities is not a financial resource and; therefore, is not reported in governmental funds. 8,200,000

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. 954,076

Change in Net Position of Governmental Activities \$ 9,339,170

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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 3,196,831	\$ 3,196,831	\$ 3,105,013	\$ (91,818)
User fees	393,000	393,000	379,971	(13,029)
Storage and rental fees	97,400	97,400	95,999	(1,401)
Investment earnings	2,500	2,500	1,214	(1,286)
Total Revenues	<u>3,689,731</u>	<u>3,689,731</u>	<u>3,582,197</u>	<u>(107,534)</u>
Expenditures				
Current				
General government	282,481	282,481	364,352	(81,871)
Physical environment	1,562,080	1,562,080	1,083,101	478,979
Recreation	1,445,170	1,445,170	1,337,055	108,115
Capital outlay	250,000	250,000	266,949	(16,949)
Total Expenditures	<u>3,539,731</u>	<u>3,539,731</u>	<u>3,051,457</u>	<u>488,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>150,000</u>	<u>150,000</u>	<u>530,740</u>	<u>380,740</u>
Other financing sources (uses)				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(413,341)</u>	<u>(263,341)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>117,399</u>	<u>117,399</u>
Fund Balance - October 1, 2013	<u>-</u>	<u>-</u>	<u>1,874,240</u>	<u>1,874,240</u>
Fund Balance - September 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,991,639</u>	<u>\$ 1,991,639</u>

See accompanying notes to financial statements.

The Crossings at Fleming Island Community Development District
STATEMENT OF FUND NET POSITION –
PROPRIETARY FUNDS
September 30, 2014

ASSETS	Water and Sewer	Golf Course	Total
Current Assets			
Cash and cash equivalents	\$ 1,041,944	\$ 269,494	\$ 1,311,438
Investments	1,590,458	83	1,590,541
Accounts receivable	94,641	93,573	188,214
Prepaid items and deposits	42,796	53,459	96,255
Inventory	-	57,727	57,727
Restricted Assets			
Cash restricted for customer deposits	217,453	-	217,453
Total Current Assets	<u>2,987,292</u>	<u>474,336</u>	<u>3,461,628</u>
Non-current Assets			
Restricted Assets-			
Investments	2,898,247	168,387	3,066,634
Capital Assets:			
Land, buildings and equipment	20,096,498	6,909,318	27,005,816
Accumulated depreciation	(8,394,998)	(1,458,082)	(9,853,080)
Total Non-current Assets	<u>14,599,747</u>	<u>5,619,623</u>	<u>20,219,370</u>
Total Assets	<u>17,587,039</u>	<u>6,093,959</u>	<u>23,680,998</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	898,004	-	898,004
Total Assets and Deferred Outflows of Resources	<u>18,485,043</u>	<u>6,093,959</u>	<u>24,579,002</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	258,332	124,354	382,686
Other liabilities	5,274	-	5,274
Due to other funds	-	42,261	42,261
Accrued interest payable	622,772	128,040	750,812
Unearned revenues	-	99,141	99,141
Matured interest payable	-	1,208,098	1,208,098
Matured bonds payable	-	660,000	660,000
Bonds payable, current portion	635,000	250,000	885,000
Payable from restricted assets			
Customer deposits	217,453	-	217,453
Total Current Liabilities	<u>1,738,831</u>	<u>2,511,894</u>	<u>4,250,725</u>
Non-current Liabilities			
Advances from other funds	-	85,800	85,800
Bonds payable	25,717,541	3,630,000	29,347,541
Total Non-current Liabilities	<u>25,717,541</u>	<u>3,715,800</u>	<u>29,433,341</u>
Total Liabilities	<u>27,456,372</u>	<u>6,227,694</u>	<u>33,684,066</u>
NET POSITION			
Net investment in capital assets	(7,496,994)	911,236	(6,585,758)
Restricted:			
Debt service	2,004,235	-	2,004,235
Renewal and replacement	271,240	-	271,240
Unrestricted	(3,749,810)	(1,044,971)	(4,794,781)
Total Net Position	<u>\$ (8,971,329)</u>	<u>\$ (133,735)</u>	<u>\$ (9,105,064)</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, 2014

	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenues			
Charges for Services			
Water and sewer charges	\$ 5,248,967	\$ -	\$ 5,248,967
Golf and restaurant	-	1,702,510	1,702,510
Total Operating Revenues	<u>5,248,967</u>	<u>1,702,510</u>	<u>6,951,477</u>
Operating Expenses			
Water and sewer	2,976,227	-	2,976,227
Golf and restaurant	-	1,957,809	1,957,809
Depreciation	495,181	75,797	570,978
Total Operating Expenses	<u>3,471,408</u>	<u>2,033,606</u>	<u>5,505,014</u>
Operating Income	<u>1,777,559</u>	<u>(331,096)</u>	<u>1,446,463</u>
Non-operating revenues/(expenses)			
Interest earnings	1,856	392	2,248
Interest expense	<u>(1,343,622)</u>	<u>(367,777)</u>	<u>(1,711,399)</u>
Total Non-operating Revenues/(Expenses)	<u>(1,341,766)</u>	<u>(367,385)</u>	<u>(1,709,151)</u>
Net Income Before Transfers/Other	435,793	(698,481)	(262,688)
Transfers from other funds	-	150,000	150,000
Debt forgiveness	<u>-</u>	<u>2,505,997</u>	<u>2,505,997</u>
Change in Net Position	435,793	1,957,516	2,393,309
Net Position - October 1, 2013	<u>(9,407,122)</u>	<u>(2,091,251)</u>	<u>(11,498,373)</u>
Net Position - September 30, 2014	<u>\$ (8,971,329)</u>	<u>\$ (133,735)</u>	<u>\$ (9,105,064)</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, 2014

	Water and Sewer	Golf Course	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 5,260,282	\$ 1,705,841	\$ 6,966,123
Cash paid to suppliers	(2,996,921)	(1,886,712)	(4,883,633)
Net Cash Provided (Used) By Operating Activities	<u>2,263,361</u>	<u>(180,871)</u>	<u>2,082,490</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	(1,257,744)	-	(1,257,744)
Principal payments on long-term debt	(610,000)	-	(610,000)
Net Cash Used By Capital and Related Financing Activities	<u>(1,867,744)</u>	<u>-</u>	<u>(1,867,744)</u>
Cash Flows From Investing Activities			
Sales of Investments	1,867,744	1,917,701	3,785,445
Purchases of investments	(2,242,230)	(1,918,676)	(4,160,906)
Interest income	1,856	392	2,248
Net Cash Provided (Used) By Investing Activities	<u>(372,630)</u>	<u>(583)</u>	<u>(373,213)</u>
Net increase (decrease) in cash and equivalents	22,987	(31,454)	(8,467)
Cash and equivalents, beginning of year	<u>1,236,410</u>	<u>300,948</u>	<u>1,537,358</u>
Cash and equivalents, end of year	<u>\$ 1,259,397</u>	<u>\$ 269,494</u>	<u>\$ 1,528,891</u>
Reconciliation of Net Operating Income to Net Cash Provided By Operating Activities			
Cash Flows From Operating Activities:			
Operating income	<u>\$ 1,777,559</u>	<u>\$ (331,096)</u>	<u>\$ 1,446,463</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:			
Decrease in accounts receivable	3,294	2,116	5,410
Decrease in inventory	-	1,228	1,228
(Increase) decrease in prepaid expenses	1,084	(17,888)	(16,804)
Increase (decrease) in accounts payable	(21,778)	46,388	24,610
Increase (decrease) in due to other funds	-	41,369	41,369
Increase (decrease) in unearned revenues	-	1,215	1,215
Increase in customer deposits	8,021	-	8,021
Total Adjustments	<u>485,802</u>	<u>150,225</u>	<u>636,027</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,263,361</u>	<u>\$ (180,871)</u>	<u>\$ 2,082,490</u>

See accompanying notes to financial statements.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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 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, 2014

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 expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financial sources.

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

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, 2014

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, 2014

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.

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, 2014

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 2014

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 2014 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, 2014

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, 2014

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 Chapter 190 and 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, 2014

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 \$6,643,582 differs from “net position” of governmental activities (\$22,888,528) 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	5,855,595
Construction in progress	124,397
Accumulated depreciation	<u>(2,021,137)</u>
Total	<u>\$ 6,257,467</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, 2014 were:

Bonds payable	\$ (37,005,000)
Bond discount, net	<u>389,371</u>
	<u>\$ (36,615,629)</u>

Deferred outflow of resources

Deferred outflow of resources applicable to the District’s governmental activities are not financial resources and therefore, are not reported as fund deferred outflow of resources:

Deferred amount on refunding, net	<u>\$ 1,115,517</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>\$ (289,465)</u>
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The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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, \$648,823, differs from the “change in net position” for governmental activities, \$9,339,170, 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	\$ (168,985)
Capital outlay	400,368
Total	<u>\$ 231,383</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>\$ 34,805,000</u>
-------------------------	----------------------

The issuance of new debt provides current financial resources to governmental funds, but the issuance of new debt increases long-term liabilities.

Issuance of new debt	\$ (37,005,000)
Bond discount, net	389,371
Total	<u>\$ (36,615,629)</u>

The deferred amount on refunding created as a result of the issuance of new debt is not a financial resource and therefore, is not reported in the funds.

Deferred amount on refunding, net	<u>\$ 1,115,517</u>
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The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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 (Continued)

Some revenues reported in the Statement of Activities are not financial resources; therefore, are not reported as revenues in governmental funds.

Gain on extinguishment of debt	\$ <u>8,200,000</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>954,076</u>
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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, 2014, the District's bank balance was \$2,733,252 and the carrying value was \$2,649,796. 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, 2014, the District had the following investments and maturities:

Investment	Maturities	Fair Value
First American US Treasury Money Market Class Z	N/A	\$ 1,730,073
First American Government Obligation Fund Class Y	N/A	6,268,068
Money market mutual fund	N/A	168,387
Local Government Surplus Funds, Florida PRIME	N/A	1,812,570
Total		\$ 9,979,098

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE C - CASH AND INVESTMENTS (CONTINUED)

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. 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.

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 Fund 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, 2014. 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 17.3% of the District's investments. The investments in First American Government Obligation Fund Class Y represent 62.8% of the District's total investments. The investments in Money Market Mutual Funds represent 1.7% of the District's investments. The investments in Local Government Surplus Funds Trust Funds represent 18.2% of the District's total investments.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

The types of deposits and investments and their level of risk exposure as of September 30, 2014 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 2013-2014 fiscal year were levied in October 2013. 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.

NOTE E – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2014 was as follows:

	Balance October 1, 2013	Additions	Deletions	Balance September 30, 2014
<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	5,455,227	400,368	-	5,855,595
Total Capital Assets, Being Depreciated	<u>5,455,227</u>	<u>400,368</u>	<u>-</u>	<u>5,855,595</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(1,852,152)	(168,985)	-	(2,021,137)
Total accumulated depreciation	<u>(1,852,152)</u>	<u>(168,985)</u>	<u>-</u>	<u>(2,021,137)</u>
Total capital assets depreciated, net	<u>3,603,075</u>	<u>231,383</u>	<u>-</u>	<u>3,834,458</u>
Governmental Activities Capital Assets	<u>\$ 6,026,084</u>	<u>\$ 231,383</u>	<u>\$ -</u>	<u>\$ 6,257,467</u>

Depreciation of \$168,985 was charged to physical environment.

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE E – CAPITAL ASSETS (CONTINUED)

Capital Asset activity for the year ended September 30, 2014 was as follows:

	Balance October 1, 2013	Additions	Deletions	Balance September 30, 2014
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 3,599,131	\$ -	\$ -	\$ 3,599,131
Total Capital Assets, not Depreciated	<u>3,599,131</u>	<u>-</u>	<u>-</u>	<u>3,599,131</u>
Capital assets, being depreciated:				
Water and sewer facilities	20,096,198	-	-	20,096,198
Golf course and improvements	3,202,918	-	-	3,202,918
Improvements and equipment	107,569	-	-	107,569
Total Capital Assets, Being Depreciated	<u>23,406,685</u>	<u>-</u>	<u>-</u>	<u>23,406,685</u>
Less accumulated depreciation for:				
Water and sewer facilities	(7,899,817)	(495,181)	-	(8,394,998)
Golf course and improvements	(1,274,716)	(75,797)	-	(1,350,513)
Furniture, fixtures and equipment	(107,569)	-	-	(107,569)
Total accumulated depreciation	<u>(9,282,102)</u>	<u>(570,978)</u>	<u>-</u>	<u>(9,853,080)</u>
Total capital assets depreciated, net	<u>14,124,583</u>	<u>(570,978)</u>	<u>-</u>	<u>13,553,605</u>
Business-type Activities Capital Assets	<u>\$ 17,723,714</u>	<u>\$ (570,978)</u>	<u>\$ -</u>	<u>\$ 17,152,736</u>

Depreciation 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, 2014:

Governmental Activities

Long-term debt at October 1, 2013	\$ 43,005,000
Principal payments	(34,805,000)
Issuance of long-term debt	37,005,000
Gain on extinguishment of debt	(8,200,000)
Long-term debt at September 30, 2014	<u>37,005,000</u>
Less: Discount, net	(389,371)
Bonds payable, net	<u>\$ 36,615,629</u>

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE F – LONG-TERM DEBT (CONTINUED)

Special Assessment Revenue Refunding Bonds – Series 2014

In August 2014, the District issued \$37,005,000 Series 2014 Special Assessment Revenue Refunding Bonds to refund the Special Assessment Refunding Bonds, Series 2000 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.

The current refunding of the series 2000 Special Assessment Refunding Bonds was issued at a discount of \$392,437 and resulted in a deferred amount on refunding of \$1,128,594. As a result of this transaction, the District decreased its aggregate debt service payments for Series 2014 Bonds by \$8,675,035 over the next 30 years and realized an economic gain of approximately \$1,552,013.

Governmental Activities

Long-term debt is comprised of the following:

Revenue Bonds

\$37,005,000 Series 2014 Special Assessment Revenue Refunding Bonds due in annual principal installments beginning in May 2015, maturing in May 2044. Interest is due semi-annually on May 1 and November 1, beginning November 1, 2014, at a variable interest rate. \$ 37,005,000

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2014 are as follows:

Year Ending September 30,	Principal	Interest	Total
2015	\$ 2,990,000	\$ 1,141,255	\$ 4,131,255
2016	3,060,000	1,530,544	4,590,544
2017	1,465,000	1,465,269	2,930,269
2018	1,500,000	1,428,169	2,928,169
2019	1,555,000	1,383,394	2,938,394
2020-2024	8,840,000	5,899,200	14,739,200
2025-2029	11,210,000	3,607,723	14,817,723
2030-2034	3,355,000	1,291,475	4,646,475
2035-2039	1,270,000	831,025	2,101,025
2040-2044	1,760,000	358,475	2,118,475
Totals	<u>\$ 37,005,000</u>	<u>\$ 18,936,529</u>	<u>\$ 55,941,529</u>

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE F – LONG-TERM DEBT (CONTINUED)

Business-type Activities

Long-term debt at October 1, 2013	\$ 31,360,000
Principal payments and maturities	<u>(845,000)</u>
Long-term debt at September 30, 2014	30,515,000
Less: Discount	<u>(282,459)</u>
Bonds payable, net	<u><u>\$ 30,232,541</u></u>

Business-type Activities

Utility Revenue Refunding Bonds – Series 2007

In 2007, the District issued \$28,900,000 Series 2007 Utility Revenue Refunding to refund all of the outstanding Utility Revenue Bonds, Series 1994 and 1999.

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 to finance the acquisition and construction of certain public infrastructure within the District. The bonds are secured by a pledge of certain revenues derived as a result of operations of the golf course.

Long-term debt is comprised of the following:

Revenue Bonds

Utility Revenue Refunding Bonds – Series 2007

\$28,900,000 Series 2007 Utility Revenue Refunding Bonds with principal due annually on October 1, and maturing in October 2037. Interest is due semi-annually on April 1 and October 1, at an interest rate ranging from 3.75% to 4.875%. \$ 26,635,000

Golf Course Revenue Bonds – Series 1999

\$28,900,000 Series 2007 Utility Revenue Refunding Bonds, with principal due annually on October 1, and maturing in October 2037. Interest is due semi-annually on April 1 and October 1, at an interest rate ranging from 3.75% to 4.875%. 3,880,000

Total bonds payable \$ 30,515,000

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE F – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2014 are as follows:

Year Ending September 30,	Principal	Interest	Total
2015	\$ 885,000	\$ 1,480,674	\$ 2,365,674
2016	930,000	1,436,789	2,366,789
2017	975,000	1,388,924	2,363,924
2018	1,025,000	1,337,729	2,362,729
2019	1,075,000	1,283,864	2,358,864
2020-2024	6,265,000	5,505,288	11,770,288
2025-2029	5,865,000	3,895,531	9,760,531
2030-2034	6,795,000	2,439,538	9,234,538
2035-2038	6,700,000	619,125	7,319,125
Totals	<u>\$ 30,515,000</u>	<u>\$ 19,387,462</u>	<u>\$ 49,902,462</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 \$1,208,098 and matured bonds payable of \$660,000 are reported on the Statement of Net Position.

Summary of Significant Bonds Resolution Terms and Covenants

Governmental Activities

Depository Funds - The bond resolution establishes certain funds and determines the order in which revenues are to be deposited into these funds. A description of the significant funds, including their purposes, is as follows:

SPECIAL ASSESSMENT REVENUE AND REFUNDING BONDS, SERIES 2014

Reserve Fund - The 2014 Reserve Account is funded from the proceeds of the Series 2014 Bonds in an amount equal to a certain percentage, ranging from 10% to 100% of the maximum annual debt service requirement of the 2014 bonds. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Special Assessment Revenue Refunding Bonds	
	Balance	Requirement
Series 2014 Bonds - Reserve Accounts	<u>\$ 2,030,420</u>	<u>\$ 2,030,415</u>

The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE F – LONG-TERM DEBT (CONTINUED)

Summary of Significant Bonds Resolution Terms and Covenants (Continued)

Business-Type Activities

UTILITY REVENUE REFUNDING BONDS, SERIES 2007

Reserve Fund - The 2007 Reserve Account is funded from the proceeds of the Series 2007 Bonds in an amount equal to the maximum amount allowed pursuant to the code, inclusive of the required MBIA bond insurance maintained. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Utility Revenue Refunding Bonds	
	Balance	Requirement
Series 2007 Bonds - Reserve Accounts	\$ 1,925,285	\$ 1,838,753

GOLF COURSE REVENUE BONDS, SERIES 1999

Reserve Fund - The 1999 Reserve Account is funded from the proceeds of the Series 1999 Bonds in an amount 10% of the principal outstanding. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

	Utility Revenue Refunding Bonds	
	Balance	Requirement
Series 1999 Bonds - Reserve Accounts	\$ 155,845	\$ 454,000

NOTE G – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances at September 30, 2014, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Golf Fund	\$42,261

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Golf Fund	\$85,800

On August 27, 2009 the General Fund transferred \$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, 2014, no payments were made to the General Fund.

**The Crossings at Fleming Island Community Development District
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014**

NOTE G – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

The following is a summary of inter-fund transfers for the year ended September 30, 2014:

	Transfers In	Transfers Out
General Fund	\$ 150,000	\$263,341
Debt Service Fund	263,341	-
Golf Fund	-	150,000
Total Transfers	\$ 413,341	\$413,341

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

NOTE H – DEVELOPER TRANSACTIONS

In the prior year, the District had a capital line-of-credit with the developer, Eagle Harbor at Fleming Island Joint Venture (“EWP”), for the Golf Course Fund. The amount owed as of September 30, 2013 was \$704,500 and accrued interest was \$95,890. In addition, the developer had 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, with an interest rate of 6.6% per annum. These loaned funds were used to pay down the bonds. Accrued interest as of September 30, 2013 was \$204,707.

In January 2014, the District filed a foreclosure action against this developer, for delinquent special assessments attributed to the commercial parcels owned by the developer that were within the District. The foreclosure proceedings were place on hold as the District worked on the refinancing and restructuring of the Special Assessment Refunding Bonds, Series 2000B and 2000C.

Subsequently, a restructuring agreement was formed in April 2014 and a Release and Satisfaction Agreement was entered into between the District and this developer. In consideration of the dismissal of the pending foreclosure action against “EWP” and waiver of the outstanding special assessments, the developer discharged the District of any and all outstanding indebtedness owed to “EWP”. The total amount debt forgiven recognized on the Statement of Activities was \$2,505,097.

**The Crossings at Fleming Island Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2014**

NOTE I – OPERATING LEASES

Golf Course Fund

The District entered into a non-cancelable operating lease in September 2013 for golf carts for use on the Golf Course. The lease expires September 30, 2017 and requires monthly payments of \$4,906. In addition, the District leases various maintenance equipment under a four year operating lease of which began September 2012. Monthly installments for the rental of the maintenance equipment is \$9,411. The District also rents other equipment on a month to month basis. Total rental expense for the period ended September 30, 2014 was \$189,536

The minimum future lease payments for the lease golf carts and maintenance equipment for the years ending September 30 are as follows.

<u>Year</u>	<u>Lease Payments</u>
2015	\$ 171,807
2016	157,690
2017	58,875
Total	<u>\$ 388,372</u>

NOTE J – 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.

NOTE K – PRIOR PERIOD ADJUSTMENT

Accounts receivable in the Water and Sewer Fund was overstated at September 30, 2013 by \$149,035. Net position was restated to reflect the correction of an error. The effect on net position is illustrated below.

Water and Sewer Fund

Net position, October 1, 2013 as previously reported	\$ (9,258,087)
Prior period adjustment -correction of accounts receivable	<u>(149,035)</u>
Net Position, October 1, 2013 restated	<u><u>(9,407,122)</u></u>



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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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Crossings at Fleming Island Community Development District (the District) as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2015.

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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

April 30, 2015



Berger, Toombs, Elam, Gaines & Frank

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MANAGEMENT LETTER

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 financial statements of the The Crossings at Fleming Island Community Development District, Florida as of and for the year ended September 30, 2014, and have issued our report thereon dated April 30, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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.

Other Reports and Schedules

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* and Independent Accountant's Report on examination conducted in accordance with *ACIPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports which are dated April 30, 2015 should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address part of the findings and recommendations made in the two preceding annual financial audit reports, except as noted below:

Prior Years 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 for the Golf Course Fund.

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

Prior Years Finding: Financial Condition Assessment Procedures

Finding: A deteriorating condition exists with respect to the Golf Course and Water and Sewer Funds. Both funds have an accumulated net position deficit for which sufficient resources were not available.

Prior Years Finding: Noncompliance with Provisions of Trust Indenture

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

Tabulation of Uncorrected Audit Findings		
9/30/2014	9/30/2013	9/30/2012
Finding	Finding	Finding
2014-01	2013-01	2012-01
2014-02	2013-02	2012-02
2014-03	2013-03	2012-03

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not The Crossings at Fleming Island Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that 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.

Finding 2014-01

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

Management response: The District has taken actions recommended by the auditor with the restructuring of the Series 2000B and 2000C bonds in August 2014 which resulted in the release and discharge of the obligations owed to the prior developer in the Golf Course Fund. In addition, the District 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 2014-02

Finding: A deteriorating condition exists with respect to the Golf Course and Water and Sewer Funds. Both funds have an accumulated net position deficit for which sufficient resources were not available to cover the deficit.

Management Response: The net position deficit in the Water and Sewer Fund is primarily related to depreciation and assets 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 with the hiring of independent golf course consultant.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures. It is management's responsibility to monitor The Crossings at Fleming Island Community Development District'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.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for The Crossings at Fleming Island Community Development District for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the Management Letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Finding 2014-03

Finding: The District did not meet the reserve requirement 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 the hiring of 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

Purpose of this Letter

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, Federal and other granting agencies, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger, Toombs, Elam,
Gaines & Frank*

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

April 30, 2015



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**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

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

We have examined The Crossings at Fleming Island Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2014. Management is responsible for The Crossings at Fleming Island Community Development District's compliance with those requirements. Our responsibility is to express an opinion on The Crossings at Fleming Island Community Development District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about The Crossings at Fleming Island Community Development District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on The Crossings at Fleming Island Community Development District's compliance with the specified requirements.

In our opinion, The Crossings at Fleming Island Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2014.

*Berger, Toombs, Elam,
Gaines & Frank*

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

April 30, 2015

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