

Capital Region Community  
Development District

Financial Statements

September 30, 2010

Capital Region Community Development District  
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September 30, 2010

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Capital Region Community Development District  
Leon County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Capital Region Community Development District (hereinafter referred to as "District"), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 18, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 6 and on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Carr, Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
August 18, 2011

## Management's Discussion And Analysis

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Capital Region Community Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the District's financial statements, which begin on page 7.

### **FINANCIAL HIGHLIGHTS**

- At September 30, 2010, the liabilities of the District exceed its assets by approximately \$35 million.
- During the fiscal year ended September 30, 2010, the District established additional infrastructure of approximately \$3.1 million, incurred approximately \$2.9 million of interest expenditures and repaid principal of \$640,000.

### **USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 7 – 8 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

#### ***Reporting the District as a Whole***

Our analysis of the District as a whole begins on page 3. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

#### ***Reporting the District's Most Significant Funds***

Our analysis of the District's major funds begins on page 4. The fund financial statements begin on page 9 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- *Governmental funds* – All of the District’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. We describe the relationship (or differences) between governmental activities and governmental funds in a reconciliation with the fund financial statements.

### THE DISTRICT AS A WHOLE

The following table reflects the condensed Statement of Net Assets and is compared to the prior year.

<i>September 30,</i>	<b>2010</b>	<b>2009</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 6,656,204	\$ 9,408,178	\$ (2,751,974)
Capital assets, net	19,895,788	20,196,538	(300,750)
<b>Total assets</b>	<b>\$ 26,551,992</b>	<b>\$ 29,604,716</b>	<b>\$ (3,052,724)</b>
<b>Liabilities</b>			
Current liabilities	\$ 22,206,698	\$ 3,214,808	\$ 18,991,890
Other liabilities	39,385,000	60,059,000	(20,674,000)
<b>Total liabilities</b>	<b>61,591,698</b>	<b>63,273,808</b>	<b>(1,682,110)</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	20,324,154	20,673,399	(349,245)
Restricted for:			
Debt service	502,008	20,246	481,762
Capital projects	446,759	1,903,951	(1,457,192)
Unrestricted	(56,312,627)	(56,266,688)	(45,939)
<b>Total net assets (deficit)</b>	<b>(35,039,706)</b>	<b>(33,669,092)</b>	<b>(1,370,614)</b>
<b>Total liabilities and net assets</b>	<b>\$ 26,551,992</b>	<b>\$ 29,604,716</b>	<b>\$ (3,052,724)</b>

For more detailed information, see the accompanying Statement of Net Assets.

During the fiscal year ended September 30, 2010, total assets and liabilities decreased by approximately \$3.1 million and \$1.7 million, respectively. The decrease in assets is primarily due to the conveyance of certain capital assets and the use of capitalized-interest funds to make bond interest payments. The decrease in liabilities is due to payments on outstanding contracts at the end of fiscal year 2009. The change in current and other liabilities is due to the Series 2005 and 2006 bond anticipation notes maturing in fiscal year 2011.

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>Year ended September 30,</i>	<b>2010</b>	<b>2009</b>	<b>Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 5,137,348	\$ 4,062,877	\$ 1,074,471
Grants and contributions	1,647,948	229,249	1,418,699
General revenues:			
Interest and miscellaneous	1,901	4,419	(2,518)
<b>Total revenues</b>	<b>6,787,197</b>	<b>4,296,545</b>	<b>2,490,652</b>
<b>Expenses:</b>			
General government	189,365	234,796	(45,431)
Maintenance and operations	1,873,286	1,952,362	(79,076)
Conveyance of capital assets	2,919,618	2,499,919	419,699
Interest	3,175,542	2,842,202	333,340
<b>Total expenses</b>	<b>8,157,811</b>	<b>7,529,279</b>	<b>628,532</b>
Increase (decrease) in net assets	(1,370,614)	(3,232,734)	1,862,120
Net assets (deficit), beginning	(33,669,092)	(30,436,358)	(3,232,734)
<b>Net assets (deficit), ending</b>	<b>\$ (35,039,706)</b>	<b>\$ (33,669,092)</b>	<b>\$ (1,370,614)</b>

For more detailed information, see the accompanying Statement of Activities.

Revenues and expenses increased by approximately \$2.5 million and \$629,000, respectively, over the prior year. The increase in revenues is due an increase in assessment rates for 2010 accompanied by cost sharing revenues received from the State to fund certain portions of the projects. The increase in expenses is due to the conveyance of certain capital assets coupled with an increase in interest expenditures. The overall results were a \$1.4 million decrease in net assets for fiscal year 2010.

### THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 9) reported a combined fund balance of approximately \$5.8 million, which is a decrease from last year's balance that totaled \$7.3 million. Significant transactions are discussed below.

- The District incurred approximately \$2.9 million of interest expenditures and repaid principal of \$640,000 in its debt service fund.
- The District established capital infrastructure totaling \$3.1 million in its capital projects fund.

The overall decrease in fund balance for the year ended September 30, 2010 totaled \$1.4 million.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### **Capital Assets**

At September 30, 2010, the District had approximately \$19.9 million invested in capital assets (net of depreciation). This amount represents a net decrease of approximately \$301,000 from the fiscal year 2009 total.

A listing of capital assets by major category for the current and prior year follows:

<i>September 30,</i>	<b>2010</b>	<b>2009</b>	<b>Change</b>
Capital assets not being depreciated	\$ 182,184	\$ 1,065,508	\$ (883,324)
Capital assets being depreciated	21,743,525	20,675,993	1,067,532
Total, prior to depreciation	21,925,709	21,741,501	184,208
Accumulated depreciation	(2,029,921)	(1,544,963)	(484,958)
Net capital assets	\$ 19,895,788	\$ 20,196,538	\$ (300,750)

More information about the District's capital assets is presented in Note 4 to the financial statements.

### **Debt**

At September 30, 2010, the District had approximately \$60 million of debt outstanding. This amount represents a decrease of \$640,000 from the fiscal year 2009 total.

A listing of debt amounts outstanding for the current and prior year is as follows:

<i>September 30,</i>	<b>2010</b>	<b>2009</b>	<b>Change</b>
Capital Improvement Revenue Bonds:			
Series 2001	\$ 8,275,000	\$ 8,485,000	\$ (210,000)
Series 2002 A	11,935,000	12,165,000	(230,000)
Series 2008	19,820,000	20,020,000	(200,000)
Bond Anticipation Notes:			
Series 2005	10,000,000	10,000,000	-
Series 2006	9,994,000	9,994,000	-
	\$ 60,024,000	\$ 60,664,000	\$ (640,000)

More information about the District's long-term debt is presented in Note 5 to the financial statements.

## **GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

An Operating budget was established by the governing board for the District pursuant to the requirements of the Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown at page 23.

The District experienced an unfavorable variance in revenues as compared to the budget in the amount of \$258,533. Conversely, the District has a favorable variance in expenditures over budget of \$273,125. The variances occurred primarily due to anticipated budgeted operating expenditures that were not incurred during the year and the resulting need for less in Developer contribution revenue.

## **FUTURE FINANCIAL FACTORS**

Capital Region Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2011 were established to provide for the operations of the District.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Capital Region Community Development District's management company at 5701 N. Pine Island Road, Suite 370, Tamarac, Florida 33321.

# Basic Financial Statements

Capital Region Community Development District

Statement of Net Assets

<i>September 30,</i>	<b>2010</b>
	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 34,591
Investments	5,412,472
Due from developer	363,672
Other receivables	385,557
Prepaid expenses	24,988
Deposits	6,558
Deferred charges, net	428,366
Capital assets:	
Not being depreciated	182,184
Depreciable, net	19,713,604
<b>Total assets</b>	<b>26,551,992</b>
<b>Liabilities</b>	
Accounts payable	56,467
Contracts payable	120,597
Retainage payable	75,213
Due to developer	158,963
Accrued interest payable	1,156,458
Non-current liabilities:	
Due within one year	20,639,000
Due in more than one year	39,385,000
<b>Total liabilities</b>	<b>61,591,698</b>
<b>Net assets</b>	
Invested in capital assets, net of related debt	20,324,154
Restricted for:	
Debt service	502,008
Capital projects	446,759
Unrestricted	(56,312,627)
<b>Total net assets (deficit)</b>	<b>\$ (35,039,706)</b>

See accompanying notes to financial statements.

Capital Region Community Development District

Statement of Activities

Year ended September 30,

2010

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ (189,365)	\$ 190,888	\$ -	\$ -	\$ 1,523	
Maintenance and operations	(1,873,286)	1,399,496	-	-	(473,790)	
Capital Infrastructure	(2,919,618)	-	-	1,646,136	(1,273,482)	
Interest	(3,175,542)	3,546,964	1,372	440	373,234	
<b>Total governmental activities</b>	<b>\$ (8,157,811)</b>	<b>\$ 5,137,348</b>	<b>\$ 1,372</b>	<b>\$ 1,646,576</b>	<b>(1,372,515)</b>	

**General revenues**

Interest and miscellaneous revenues	1,901
<b>Total general revenues</b>	<b>1,901</b>

Change in net assets	(1,370,614)
Net assets (deficit) - beginning of the year	(33,669,092)
<b>Net assets (deficit) - end of the year</b>	<b>\$ (35,039,706)</b>

See accompanying notes to financial statements.

Capital Region Community Development District

Balance Sheet - Governmental Funds

September 30,

2010

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 34,591	\$ -	\$ -	\$ 34,591
Investments	601,831	4,543,670	266,971	5,412,472
Due from developer	46,432	317,240	-	363,672
Other receivables	9,854	105	375,598	385,557
Prepaid expenditures	24,988	-	-	24,988
Other assets	6,558	-	-	6,558
Due from other funds	-	6,299	-	6,299
<b>Total assets</b>	<b>\$ 724,254</b>	<b>\$ 4,867,314</b>	<b>\$ 642,569</b>	<b>\$ 6,234,137</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 56,467	\$ -	\$ -	\$ 56,467
Contracts payable	-	-	120,597	120,597
Retainage payable	-	-	75,213	75,213
Due to developer	158,963	-	-	158,963
Due to other funds	6,299	-	-	6,299
<b>Total liabilities</b>	<b>221,729</b>	<b>-</b>	<b>195,810</b>	<b>417,539</b>
<b>Fund balances</b>				
Reserved for debt service	-	4,867,314	-	4,867,314
Reserved for capital projects	-	-	446,759	446,759
Reserved for other	29,151	-	-	29,151
Unreserved, undesignated	473,374	-	-	473,374
<b>Total fund balances</b>	<b>502,525</b>	<b>4,867,314</b>	<b>446,759</b>	<b>5,816,598</b>
<b>Total liabilities and fund balances</b>	<b>\$ 724,254</b>	<b>\$ 4,867,314</b>	<b>\$ 642,569</b>	<b>\$ 6,234,137</b>

See accompanying notes to financial statements.

# Capital Region Community Development District

## Reconciliation of the Balance Sheet to the Statement of Net Assets

<i>September 30,</i>	<b>2010</b>
Total fund balances, governmental funds	\$ 5,816,598
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	19,895,788
Bond issue costs are not financial resources and, therefore are not reported as assets in governmental funds. The Statement of Net Assets includes these costs, net of amortization.	428,366
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund financial statements.	(61,180,458)
<b>Total net assets (deficit) - governmental activities</b>	<b>\$ (35,039,706)</b>

See accompanying notes to financial statements.

Capital Region Community Development District

Statement of Revenues, Expenditures and Changes in Fund Balances-  
Governmental Funds

Year ended September 30,

2010

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>				
Assessments	\$ 1,590,384	\$ 3,546,964	\$ -	\$ 5,137,348
Cost sharing revenue	-	-	1,646,136	1,646,136
Interest and other revenues	1,901	1,372	440	3,713
Total revenues	1,592,285	3,548,336	1,646,576	6,787,197
<b>Expenditures</b>				
Current:				
General government	189,365	-	-	189,365
Maintenance and operations	1,388,328	-	-	1,388,328
Debt service:				
Principal	-	640,000	-	640,000
Interest	-	2,911,362	-	2,911,362
Capital outlay	-	-	3,103,826	3,103,826
Total expenditures	1,577,693	3,551,362	3,103,826	8,232,881
Excess (deficit) of revenues over expenditures	14,592	(3,026)	(1,457,250)	(1,445,684)
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	58	58
Transfer out	-	(58)	-	(58)
Total other financing sources (uses)	-	(58)	58	-
Net change in fund balances	14,592	(3,084)	(1,457,192)	(1,445,684)
Fund balances, beginning of year	487,933	4,870,398	1,903,951	7,262,282
Fund balances, end of year	\$ 502,525	\$ 4,867,314	\$ 446,759	\$ 5,816,598

See accompanying notes to financial statements.

## Capital Region Community Development District

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

<i>Year ended September 30,</i>	<b>2010</b>
Net change in fund balances - governmental fund	\$ (1,445,684)
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Assets.	3,103,826
The conveyance of fixed assets is recorded as an expense on the Statement of Activities, but not in the fund financial statements.	(2,919,618)
Governmental funds report principal payments on bonds when debt is paid, whereas these payments are eliminated in the Statement of Activities and recognized as a decrease in bonds payable in the Statement of Net Assets.	640,000
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.	(484,958)
Amortization of bond issuance costs and original issue discount is not recognized in the governmental fund statement but is reported as an expense in the Statement of Activities.	(48,495)
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	(215,685)
<b>Change in net assets of governmental activities</b>	<b>\$ (1,370,614)</b>

See accompanying notes to financial statements.

### **NOTE 1 – NATURE OF ORGANIZATION**

The Capital Region Community Development District (the “District”) was established on February 28, 2000 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. Chapter 190 provides that a Community Development District with a size of 1,000 acres or more may be established by rule adopted under Chapter 120 by the Florida Land and Water Adjudicatory Commission (“FLWAC”). The District was established by Rule 42CC-1, Florida Administrative Code, adopted by FLWAC. The District currently comprises approximately 3,287 acres. The development within the District (known as SouthWood) is planned to include 4,262 single family and multi-family units and approximately 1,937,000 square feet of blended commercial use.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of certain infrastructure necessary for community development within the District. The District has the authority to borrow money and issue bonds, and to assess and levy non-ad valorem assessments for the financing and delivery of capital infrastructure. In accordance with its Amended and Restated Improvement Plan, the District estimates its total infrastructure cost to be \$143 million. The District anticipates the issuance of no more than \$163 million of tax exempt bonds to finance these improvements.

The District is governed by a Board of Supervisors (“Board”), which is comprised of five members. The current Supervisors have been elected by qualified electors residing within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP). The primary criteria for including organizations within the District's reporting entity, as defined by the Governmental Accounting Standards Board (GASB) No. 14 is financial accountability. The District is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or a jointly appointed board. Based on the foregoing criteria, no potential component units were found.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

***Government-wide and fund financial statements***

The basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2010, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

The preparation of government-wide financial statements includes the application of both GASB pronouncements and those of the Financial Accounting Standards Board (FASB) issued before November 30, 1989.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Basis of Presentation***

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

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

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Assessments are levied and/or certified for collection by the District prior to

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

the start of the fiscal year which begins October 1<sup>st</sup> and ends on September 30<sup>th</sup>. Operation and maintenance special assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District.

Assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects Fund – The Capital Projects Fund accounts for the financial resources to be used in the acquisition or construction of major infrastructure within the District financed with the bonds previously issued or other means.

For the year ended September 30, 2010, the District does not report any proprietary funds.

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

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

***Cash, Deposits and Investments***

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by *Governmental Accounting Standards Board, Statement Number 40, Deposits and Investment Disclosures (An Amendment of Governmental Accounting Standards Board, Statement Number 3)*.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others negotiable direct or indirect obligations which are secured by the United States Government; the Local Government Surplus Trust Funds as created by Section 218.415, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

***Capital Assets***

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Stormwater management	50
Recreational area	30
Other	30

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective-interest or straight-line method. Bonds payable are reported net of premiums or discounts. Bond issuance costs are shown as deferred charges and are presented net of \$189,380 of accumulated amortization.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Fund Equity***

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

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

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Budgets***

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

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

- A. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- B. Public hearings are conducted to obtain comments.
- C. Prior to October 1, the budget is legally adopted by the District Board.
- D. All budget changes must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**NOTE 3 – INVESTMENTS**

All investments held at September 30, 2010, are reported at fair value based on quoted market prices, which approximates amortized cost.

# Capital Region Community Development District

## Notes to Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

The following is a summary of the District's investments:

<u>September 30,</u>	<u>2010</u>	<u>Credit Risk</u>	<u>Maturities</u>
Short-term Money Market Funds	\$ 4,756,714	S&P AAAm	42 days
State Board of Administration Florida PRIME	655,758	S&P AAAm	52 days
Total investments	\$ 5,412,472		

*Custodial credit risk* – For an investment, custodial credit risk is the risk that the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. At September 30, 2010, the money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

The State Board of Administration Florida PRIME is held by a third-party trustee. These amounts have a higher exposure to custodial credit risk because they are held by a counterparty in the District's name.

*Concentration risk* – The District's investment policy requires diversification, but does not specify limits on types of investments.

*Interest rate risk* – The District does not have a formal policy for addressing interest rate risk; however, investments are made with discretion, to seek reasonable returns, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values from interest rate changes by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

### NOTE 4 – CAPITAL ASSETS

The total projected cost of the infrastructure improvements, as revised in 2008, has been estimated at \$143 million, of which a majority will be funded with proceeds from various bond issues. The District has entered into various cost sharing agreements related to the acquisition, funding, cost sharing and ultimate ownership of various infrastructure improvements.

During the fiscal year ended September 30, 2010, the District conveyed approximately \$2.9 million of capital assets to another governmental entity. Including current year amounts, the District has conveyed a total of approximately \$74.9 million. Certain additional improvements are expected to be conveyed to other governmental entities in subsequent fiscal years.

Capital Region Community Development District

Notes to Financial Statements

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

The following is a summary of changes in the capital assets for the year ended September 30, 2010:

	Beginning Balance	Additions	Transfers and Conveyances	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Infrastructure under construction	\$ 1,065,508	\$ 3,103,826	\$ (3,987,150)	\$ 182,184
<b>Total capital assets, not being depreciated</b>	<b>1,065,508</b>	<b>3,103,826</b>	<b>(3,987,150)</b>	<b>182,184</b>
<i>Capital assets being depreciated:</i>				
Storm water management	15,318,159	-	915,953	16,234,112
Recreational area	2,226,719	-	-	2,226,719
Other	3,131,115	-	151,579	3,282,694
<b>Total capital assets, being depreciated</b>	<b>20,675,993</b>	<b>-</b>	<b>1,067,532</b>	<b>21,743,525</b>
<i>Less accumulated depreciation for:</i>				
Storm water management	1,051,838	306,363	-	1,358,201
Recreational area	292,598	74,224	-	366,822
Other	200,527	104,371	-	304,898
<b>Total accumulated depreciation</b>	<b>1,544,963</b>	<b>484,958</b>	<b>-</b>	<b>2,029,921</b>
<b>Total capital assets, being depreciated, net</b>	<b>19,131,030</b>	<b>(484,958)</b>	<b>1,067,532</b>	<b>19,713,604</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 20,196,538</b>	<b>\$ 2,618,868</b>	<b>\$ (2,919,618)</b>	<b>\$ 19,895,788</b>

Depreciation expense of \$484,958 was allocated to maintenance and operations on the accompanying Statement of Activities.

**NOTE 5 – BONDS PAYABLE**

The District has issued the following long-term liabilities to finance the acquisition and construction of certain improvements for the benefit of the District:

\$21,370,000 of Capital Improvement Revenue Bonds, Series 2001 consisting of \$1,645,000 Series 2001 A-1 Bonds, \$8,485,000 of Series 2001 A-2 Bonds, and \$11,240,000 of Series 2001 B Bonds with a fixed interest rate of 6.70%, 6.85%, and 5.95%, respectively. Interest is paid semiannually on each May 1 and November 1. Principal on the Series 2001 A-1 and A-2 Bonds are made serially commencing on May 1, 2002 through May 1, 2031. The Series 2001 B Bonds were paid off in May 2006.

\$13,410,000 of Capital Improvement Revenue Bonds, Series 2002 A with a fixed interest rate of 6.70%. Interest is paid semiannually on each May 1 and November 1. Principal payments on the Series 2002 A Bonds are made serially commencing on May 1, 2003 through May 1, 2032.

\$10,000,000 of Bond Anticipation Notes, Series 2005 with a fixed interest rate of 66.77% of the LIBOR rate plus .40%. Interest is paid semiannually on each March 1 and September 1. The principal balance is due in full on November 1, 2010. Subsequent to year end, the District repaid the outstanding balance on the Series 2005 Bond Anticipation Notes.

Capital Region Community Development District

Notes to Financial Statements

**NOTE 5 – BONDS PAYABLE (CONTINUED)**

\$10,000,000 of Bond Anticipation Notes, Series 2006 with a fixed interest rate of 66.77% of the LIBOR rate plus .40%. Interest is paid semiannually on each March 1 and September 1. The principal balance is due in full on March 1, 2011. Subsequent to year end, the District repaid the outstanding balance on the Series 2006 Bond Anticipation Notes.

\$20,020,000 of Capital Improvement Revenue Bonds, Series 2008 with a fixed interest rate of 7.00%. In addition to financing the acquisition and construction of certain improvements, these bonds were used to repay in full all advances from the developer. Interest is paid semiannually on each May 1 and November 1. Principal payments on the Series 2008 Bonds are made serially commencing on May 1, 2010 through May 1, 2039.

Long-term liability activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due in less than 1 year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2001	\$ 8,485,000	\$ -	\$ (210,000)	\$ 8,275,000	\$ 185,000
Series 2002 A	12,165,000	-	(230,000)	11,935,000	245,000
Series 2008	20,020,000	-	(200,000)	19,820,000	215,000
Bond Anticipation Notes:					
Series 2005	10,000,000	-	-	10,000,000	10,000,000
Series 2006	9,994,000	-	-	9,994,000	9,994,000
	\$ 60,664,000	\$ -	\$ (640,000)	\$ 60,024,000	\$ 20,639,000

At September 30, 2010, the scheduled debt service requirements on long-term debt were as follows:

Year Ending September 30	Principal	Interest	Total Debt Service
2011	\$ 20,639,000	\$ 2,790,793	\$ 23,429,793
2012	690,000	2,708,493	3,398,493
2013	740,000	2,661,295	3,401,295
2014	795,000	2,610,680	3,405,680
2015	845,000	2,556,305	3,401,305
2016 - 2020	5,240,000	11,825,648	17,065,648
2021 - 2025	7,375,000	9,760,833	17,135,833
2026 - 2030	10,370,000	6,856,683	17,226,683
2031 - 2035	7,755,000	3,316,708	11,071,708
2036 - 2039	5,575,000	1,010,100	6,585,100
	\$ 60,024,000	\$ 46,097,538	\$ 106,121,538

**NOTE 5 – BONDS PAYABLE (CONTINUED)**

The Series 2001, 2002 and 2008 Bond Indentures require that the District maintain adequate funds in reserve accounts to meet the debt service reserve requirements as defined in the Indentures. The requirements have been met for the fiscal year ended September 30, 2010.

The Bond Indentures for all series have 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 levy special assessments in annual amounts adequate to provide payment of debt service. The District is in compliance with the requirements of the Bond Indentures for all series.

**NOTE 6 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. The District has not received any insurance claims under the commercial coverage in the previous three years.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The District assessed the Developer \$557,184 for operations and maintenance as well as \$1,702,464 for debt service costs on undeveloped property, of which \$363,672 is recorded as Due from Developer on the accompanying Statement of Net Assets and Balance Sheet – Governmental Funds.

The Developer has entered into various cost sharing agreements with the District, whereby the Developer has agreed to fund certain portions of the related projects. In connection with these agreements, the Developer provided \$224,084, which is included in cost sharing revenues on the accompanying Statement of Net Assets and Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

During 2010, the Developer advanced the District \$158,965 to fund certain general governmental expenditures. The amount advanced for the general government expenditures is recorded as Due to developer on the accompanying Statement of Net Assets and Balance Sheet Governmental Funds.

**NOTE 8 – CONCENTRATION**

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, St. Joe Company, the loss of which could have a material adverse effect on the District's operations.

**NOTE 9 – MANAGEMENT COMPANY**

The District has contracted with a management company, Governmental Management Services, to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

The District also has contracted with Governmental Management Services to serve as the “Property Manager” for the common area maintenance management of the District. The Property Manager oversees certain services including: landscaping, irrigation and general grounds maintenance operations.

Required Supplemental Information  
(Other Than MD&A)

Capital Region Community Development District

Budget to Actual Comparison Schedule - General Fund

<i>Year ended September 30,</i>	<b>2010</b>		
	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>			
Assessments	\$ 1,845,818	\$ 1,590,384	\$ (255,434)
Interest and other revenues	5,000	1,901	(3,099)
<b>Total revenues</b>	<b>1,850,818</b>	<b>1,592,285</b>	<b>(258,533)</b>
<b>Expenditures</b>			
General government	224,098	189,365	34,733
Maintenance and operations	1,626,720	1,388,328	238,392
<b>Total expenditures</b>	<b>1,850,818</b>	<b>1,577,693</b>	<b>273,125</b>
Excess (deficiency) of revenues over expenditures	\$ -	\$ 14,592	\$ 14,592

**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  
Capital Region Community Development District  
Leon County, Florida

We have audited the financial statements of the governmental activities and each major fund of Capital Region Community Development District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report dated August 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

This report is intended for the information of management, the Board of Supervisors, others within the District, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than those specified parties.

*Caru, Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
August 18, 2011

## MANAGEMENT LETTER

To the Board of Supervisors  
Capital Region Community Development District  
Leon County, Florida

We have audited the financial statements of Capital Region Community Development District ("District") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated August 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report which is dated August 18, 2011, should be considered in conjunction with this management letter.

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

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. In connection with our audit, we determined that procedures have been implemented to address the prior year finding.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., 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)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes during the year ended September 30, 2010.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.

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

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

*Carly Riggs & Ingram, L.L.C.*

Miramar Beach, Florida  
August 18, 2011