

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010**

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2-5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Notes to the Financial Statements	12-19
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	20
Notes to Required Supplementary Information	21
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	22
MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	23-25



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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Oakstead Community Development District
Pasco County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Oakstead Community Development District, Pasco County, Florida (the "District") as of and for the fiscal 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2010, and the respective changes in financial position thereof for the fiscal 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 our report dated April 8, 2011 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, contracts, 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 important for 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 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.

Grau & Associates
April 8, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Oakstead Community Development District, Pasco County, Florida's ("District") 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 Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net asset balance of \$13,944,838.
- The change in the District's total net assets in comparison with the prior fiscal year was (\$903,360) a decrease. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial statements analysis section.
- At September 30, 2010, the District's governmental funds reported combined ending fund balances of \$995,367, a decrease of \$(273,364) in comparison with the prior year. Of the total fund balance, a portion is reserved for debt service and other items and the remainder is unreserved which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

1) Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management), physical environment (maintenance), and parks and recreation functions.

2) Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: governmental funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

2) Fund Financial Statements (Continued)

Governmental Funds

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

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

The District maintains three governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, and capital projects funds. The general, debt service, and capital project funds are considered to be major funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

3) Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data included in the government-wide and fund financial statements.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE INFORMATION

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

A portion of the District's net assets reflects its investment in capital assets (e.g. land, land improvements and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE INFORMATION (Continued)

Key components of the District's net assets are reflected in the following table:

NET ASSETS SEPTEMBER 30,		
	2010	2009
Assets, excluding capital assets	\$ 1,610,218	\$ 1,899,938
Capital assets, net of depreciation	22,614,736	23,459,366
Total assets	24,224,954	25,359,304
Liabilities, excluding long-term liabilities	332,717	323,091
Long-term liabilities	9,947,399	10,188,015
Total liabilities	10,280,116	10,511,106
Net Assets		
Invested in capital assets, net of related debt	13,141,071	14,062,951
Restricted for debt service	112,446	90,048
Unrestricted	691,321	695,199
Total net assets	\$ 13,944,838	\$ 14,848,198

The change in the District's total net assets during the most recent fiscal year was a decrease. The majority of the change represents the degree to which the cost of operations, including depreciation, and interest on the District's long-term debt exceeded revenues.

Key elements of the change in net assets are reflected in the following table:

CHANGES IN NET ASSETS FOR THE FISCAL YEAR END SEPTEMBER 30,		
	2010	2009
Revenues:		
Program revenues		
Charges for services	\$ 1,807,321	\$ 1,803,702
Operating grants and contributions	228	719
Capital grants and contribution	13,650	14,324
General revenues	5,201	5,250
Total revenues	1,826,400	1,823,995
Expenses:		
General government	176,850	184,634
Maintenance and operations	1,423,717	1,541,643
Parks and recreation	560,217	372,991
Interest	568,976	580,543
Total expenses	2,729,760	2,679,811
Change in net assets	(903,360)	(855,816)
Net assets, beginning	14,848,198	15,704,014
Net assets, ending	\$ 13,944,838	\$ 14,848,198

As in the prior fiscal year, the majority of the costs of the District's activities were paid by program revenues. In both fiscal years reflected above, program revenues were comprised primarily of assessments. The District also received funds from franchise revenue and interest earned.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2010.

The variance between budgeted and actual general fund revenues for the 2010 fiscal year is partially because less discounts were taken by landowners, therefore, net assessment collections were higher than anticipated. The actual general fund expenditures for the 2010 fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2010, the District had \$30,535,642 invested in land, infrastructure, buildings, furniture, fixtures and equipment. In the government-wide statements depreciation of \$7,920,906 has been taken, which resulted in a net book value of \$22,614,736. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2010, the District had \$11,180,000 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for fiscal year 2011. In addition, it is anticipated that the general operations of the District will remain fairly constant.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Oakstead Community Development District's Finance Department at 210 N. University Drive, Suite 702, Coral Springs, Florida 33071.

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 351,844
Certificates of deposit	413,686
Investments	7,408
Accounts receivable	1,279
Due from other governments	12,464
Interest receivable	1,016
Prepays and deposits	2,434
Restricted assets:	
Investments	335,317
Deferred charges	484,770
Capital assets:	
Nondepreciable	1,500,000
Depreciable, net	21,114,736
Total assets	24,224,954
 LIABILITIES	
Accounts payable	103,081
Accrued interest payable	202,636
Deferred revenue	27,000
Non-current liabilities:	
Due within one year	305,000
Due in more than one year	9,642,399
Total liabilities	10,280,116
 NET ASSETS	
Invested in capital assets, net of related debt	13,141,071
Restricted for debt service	112,446
Unrestricted	691,321
Total net assets	\$ 13,944,838

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Program Revenues			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	\$ 176,850	\$ -	\$ -	\$ -
Maintenance and operations	1,423,717		13,650	(600,216)
Parks and recreation	560,217			(560,217)
Interest on long-term debt	568,976	228		251,872
Total governmental activities	2,729,760	228	13,650	(908,561)
General revenues:				
Unrestricted investment earnings				5,201
Total general revenues				5,201
Change in net assets				(903,360)
Net assets - beginning				14,848,198
Net assets - ending				\$ 13,944,838

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
ASSETS				
Cash and cash equivalents	\$ 351,844	\$ -	\$ -	\$ 351,844
Certificates of deposit	413,686			413,686
Investments	7,408	309,234	26,083	342,725
Accounts receivable	1,279			1,279
Due from other government	12,464			12,464
Interest receivable	799	213	4	1,016
Prepays and deposits	2,434			2,434
Due from other funds	3,878	5,635		9,513
Total assets	<u>\$ 793,792</u>	<u>\$ 315,082</u>	<u>\$ 26,087</u>	<u>\$ 1,134,961</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 96,836	\$ -	\$ 6,245	\$ 103,081
Deferred revenue			27,000	27,000
Due to other funds	5,635		3,878	9,513
Total liabilities	<u>102,471</u>	<u>-</u>	<u>37,123</u>	<u>139,594</u>
Fund balances:				
Reserved for:				
Debt service		315,082		315,082
Other	2,434			2,434
Unreserved, designated for:				
Future improvements and asset replacement	477,185			477,185
Unreserved, undesignated reported in:				
General fund	211,702			211,702
Capital projects			(11,036)	(11,036)
Total fund balances (deficit)	<u>691,321</u>	<u>315,082</u>	<u>(11,036)</u>	<u>995,367</u>
Total liabilities and fund balances	<u>\$ 793,792</u>	<u>\$ 315,082</u>	<u>\$ 26,087</u>	<u>\$ 1,134,961</u>

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

Fund balance – governmental funds	\$	995,367
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of accumulated depreciation, in the net assets of the government as a whole.</p>		
Cost of capital assets	30,535,642	
Accumulated depreciation	<u>(7,920,906)</u>	22,614,736
<p>Bond issuance costs are not financial resources and, therefore are not reported as assets in the governmental funds. The statements of net assets includes these costs, net of amortization.</p>		
Bond issue costs	570,306	
Accumulated amortization	<u>(85,536)</u>	484,770
<p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.</p>		
Accrued interest payable	(202,636)	
Discount on Bonds	199,094	
Amortization of discount on Bonds	(29,856)	
Deferred amount on refunding	1,251,043	
Amortization of deferred amount on refunding	(187,680)	
Bonds payable	<u>(11,180,000)</u>	<u>(10,150,035)</u>
Net assets of governmental activities		<u>\$ 13,944,838</u>

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES				
Assessments	\$ 984,639	\$ 820,620	\$ -	\$ 1,805,259
Franchise revenue			13,500	13,500
Interest	5,201	228	150	5,579
Miscellaneous	11,577			11,577
Total revenues	1,001,417	820,848	13,650	1,835,915
EXPENDITURES				
Current:				
General government	164,653	10,242	1,955	176,850
Maintenance and operations	609,154			609,154
Parks and recreation	163,683			163,683
Debt service:				
Principal		295,000		295,000
Interest		498,125		498,125
Capital outlay	58,290		308,177	366,467
Total expenditures	995,780	803,367	310,132	2,109,279
Excess (deficiency) of revenues over (under) expenditures	5,637	17,481	(296,482)	(273,364)
Fund balances - beginning	685,684	297,601	285,446	1,268,731
Fund balances - ending	\$ 691,321	\$ 315,082	\$ (11,036)	\$ 995,367

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Net change in fund balances - total governmental funds	\$ (273,364)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays and capitalizable maintenance costs as expenditures; however, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.	366,467
Depreciation on capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(1,211,097)
Certain revenues were deferred in the fund financial statements in the prior year and recorded as revenue in the statement of activities. In the current year, these revenues were recorded in the fund financial statements and therefore need to be eliminated in the statement of activities.	(9,515)
Repayments of long-term liabilities are reported as expenditures in the governmental fund statement, but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	295,000
Governmental funds report the effect of issuance of costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Amortization of Bond issuance costs	(21,384)
Amortization of discount on refunding Bonds issued	(7,464)
Amortization of deferred amounts on refunding	(46,920)
The change in accrued interest on long-term liabilities between the current and prior fiscal year and the amortization of deferred charges is recorded in the statement of activities but not in the fund financial statements.	4,917
Change in net assets of governmental activities	<u>\$ (903,360)</u>

See notes to the financial statements

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - NATURE OF ORGANIZATION AND REPORTING ENTITY

Oakstead Community Development District ("District") was created on October 19, 1999 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Pasco County Ordinance 99-25. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. Ownership of land within the District entitles the owner to one vote per acre. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING 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 of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Operating-type special assessments for maintenance and debt service are treated as charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are levied to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. The District's annual assessments for operations and debt service are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

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

The District reports the following major governmental funds:

General Fund

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

Debt Service Fund

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

Capital Projects Fund

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

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 for qualifying expenditures, then unrestricted resources as they are needed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

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

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

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraphs c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

	<u>Assets</u>	<u>Years</u>
Building		30
Infrastructure		30
Furniture, fixtures and equipment		10

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets

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

Deferred Charges

In connection with the issuance of certain debt, the District incurred costs totaling \$570,306. In the government-wide financial statements, these amounts have been capitalized and amortized ratably over the estimated life of the Bonds. At September 30, 2010 the District has reported accumulated amortization of \$85,536. In addition, the original issue discount of \$199,094 is being amortized ratably over the estimated life of the Bonds and reported in the government-wide financial statements net of Bonds payable. At September 30, 2010, the accumulated amortization amount was \$29,856.

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 ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts, and deferred amounts on refunding.

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

Deferred Amount on Refunding

For refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred amount is offset against the new liability. In connection with the issuance of certain debt, the District had a deferred amount on refunding of \$1,251,043. In the government-wide financial statements, that amount has been amortized ratably over the estimated life of the Bonds. At September 30, 2010, the District reported an accumulated amortization of \$187,680.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Deferred revenue includes a fee received in a prior year from a cable company for the right to market cable services within the District for a ten year period. The fee of \$135,000 is being amortized over a ten year period. As a result, franchise fee revenue for the fiscal year ended September 30, 2010 was \$13,500 and the deferred revenue balance at September 30, 2010 was \$27,000.

Fund Equity/Net Assets

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

Net assets in the government-wide 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 assets restricted by the District's Bond covenants or other contractual restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 - BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits

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

Investments

The District's investments were held as follows at September 30, 2010:

	Fair Value	Credit Risk	Maturities
US Bank Open Monthly Commercial Paper	\$ 63,921	S&P A-1+	Open ended
US Bank Interest Bearing Commercial Paper	163,165	S&P A-1+	10/22/2010
Money Market Mutual Fund - First American	8,252	S&P AAAM	Weighted average of the fund portfolio: 42 days
Treasury Obligation CL Y	99,979	Not Applicable	10/28/2010
US Treasury Bill			Weighted average maturity of fund: 52 days
Florida PRIME	787	S&P AAAM	Weighted average maturity of fund: 7.49 years
Investment in Fund B Surplus Trust Fund	6,621	Not Applicable	
Total Investments	\$ 342,725		

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Custodial risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has a policy which limits the type of instruments which can be used for the investment of excess public funds. The money market mutual funds are not evidenced by securities that exist in physical or book entry form. The U.S. Treasury and commercial paper investments are held by the trustee or agent but not in the District's name.

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

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

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

However, the Bond Indenture limits the type of investments held using unspent proceeds.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Total capital assets, not being depreciated	1,500,000	-	-	1,500,000
Capital assets, being depreciated				
Water control systems	11,840,408			11,840,408
Roadways and street lights	10,002,128			10,002,128
Bridges and culverts	1,041,274			1,041,274
Security and landscaping	3,508,700	51,630		3,558,330
Recreational infrastructure	1,200,567	159,598		1,360,165
Buildings	840,618	115,570		956,188
Infrastructure	-	13,861		13,861
Furniture, fixtures and equipment	237,480	25,808		263,288
Total capital assets, being depreciated	28,669,175	366,467	-	29,035,642
Less accumulated depreciation for:				
Water control systems	(2,300,292)	(394,680)		(2,694,972)
Roadways and street lights	(1,998,369)	(333,404)		(2,331,773)
Bridges and culverts	(195,131)	(34,710)		(229,841)
Security and landscaping	(1,701,227)	(356,515)		(2,057,742)
Recreational infrastructure	(166,871)	(40,019)		(206,890)
Buildings	(224,412)	(28,021)		(252,433)
Furniture, fixtures and equipment	(123,507)	(23,748)		(147,255)
Total accumulated depreciation	(6,709,809)	(1,211,097)	-	(7,920,906)
Total capital assets, being depreciated, net	21,959,366	(844,630)	-	21,114,736
Governmental activities capital assets, net	\$ 23,459,366	\$ (844,630)	\$ -	\$ 22,614,736

In connection with the issuance of the 2006 Capital Improvement and Refunding Revenue Bonds discussed in Note 5, the funds of approximately \$2,200,000 were apportioned to the capital project fund for the acquisition, replacement, and repair of certain capital assets. The majority of the additions for the fiscal year ended September 30, 2010 were related to those improvements.

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation was charged to function/programs as follows:

Maintenance and operations	\$ 814,563
Parks and recreation	<u>396,534</u>
Total depreciation expense	<u>\$ 1,211,097</u>

NOTE 6 - LONG TERM LIABILITIES

On September 7, 2007, the District issued Capital Improvement and Refunding Revenue Bonds consisting of \$6,520,000 Series 2006A-1 and \$5,780,000 Series 2006 A-2. The Series 2006 Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District and to refund \$5,400,000 of the Capital Improvement Revenue Bonds, Series 2000A and \$4,820,000 of the Capital Improvement Revenue Bonds, Series 2002A. The Series 2006 Bonds bear interest at rates from 3.6% to 4.5%. Interest is paid semiannually on each May 1 and November 1. Principal on the 2006 Bonds is paid serially, and the Bonds mature at various dates through May 1, 2033.

The Series 2006 Bonds maturing on or after May 1, 2017 are subject to redemption at the option of the District, in whole or in part, at any time on or after May 1, 2016 at a redemption price as set forth in the Bond Indenture. The Bonds are also subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement and has certain other restrictions and requirements relating principally to the use of proceeds and the procedures to be followed by the District on assessments to property owners. The reserve requirement has been met through the purchase of a debt service reserve surety insurance policy. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with the requirements of the Bond Indenture as of September 30, 2010.

In connection with the issuance of the Series 2006 Bonds certain amounts were placed in an escrow account for the purpose of repaying the refunded bonds. At September 30, 2010 the balance owed on the Series 2002A defeased debt was approximately \$4,535,000 and the balance owed on the Series 2000A defeased debt was paid in full.

Changes in long-term liability activity for the fiscal year ended September 30, 2010 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2006 A1	\$ 6,070,000		\$ (160,000)	\$ 5,910,000	\$ 165,000
Series 2006 A2	5,405,000		(135,000)	5,270,000	140,000
Less deferred amounts:					
For issuance discount	(176,702)		7,464	(169,238)	
On refunding	(1,110,283)		46,920	(1,063,363)	
Total	<u>\$ 10,188,015</u>	<u>\$ -</u>	<u>\$ (240,616)</u>	<u>\$ 9,947,399</u>	<u>\$ 305,000</u>

NOTE 6 - LONG TERM LIABILITIES (Continued)

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

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2011	\$ 305,000	\$ 486,324	\$ 791,324
2012	320,000	475,268	795,268
2013	330,000	463,268	793,268
2014	340,000	450,894	790,894
2015	355,000	437,718	792,718
2016-2020	2,020,000	1,958,874	3,978,874
2021-2025	2,525,000	1,472,400	3,997,400
2026-2030	3,160,000	850,048	4,010,048
2031-2033	1,825,000	147,822	1,972,822
Total	<u>\$ 11,180,000</u>	<u>\$ 6,742,616</u>	<u>\$ 17,922,616</u>

NOTE 7 - LEASE AGREEMENT

In September 2008, the District ("Lessor") entered into a lease agreement with the Pasco County School Board ("Lessee") for the lease of certain property within District boundaries that is also adjacent to a county school. The Lessee is permitted to use the leased premises solely as a park and to install certain park improvements (i.e. picnic tables, picnic shelter, and playground equipment). In regards to the District's potential liability, the Lessee assumes all liability and is required to maintain both a public liability insurance policy and a fire/casualty insurance policy throughout the life of the agreement. The lease term is for a five year period commencing on July 1, 2008 and ending on June 30, 2013 with annual rent of one dollar (\$1.00). The lease may be renewed.

NOTE 8 - MANAGEMENT COMPANY

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

NOTE 9 - 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 has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original & Final	Actual Amounts	
REVENUES			
Assessments	\$ 971,327	\$ 984,639	\$ 13,312
Interest	4,000	5,201	1,201
Miscellaneous	5,200	11,577	6,377
Total revenues	<u>980,527</u>	<u>1,001,417</u>	<u>20,890</u>
EXPENDITURES			
Current:			
General government	185,788	164,653	21,135
Maintenance and operations	649,425	609,154	40,271
Parks and recreation	185,314	163,683	21,631
Capital outlay	30,000	58,290	(28,290)
Total expenditures	<u>1,050,527</u>	<u>995,780</u>	<u>54,747</u>
Excess (deficiency) of revenues over (under) expenditures	(70,000)	5,637	75,637
OTHER FINANCING SOURCES			
Use of fund balance	70,000	-	(70,000)
Net change in fund balance	<u>\$ -</u>	5,637	<u>\$ 5,637</u>
Fund balance - beginning		<u>685,684</u>	
Fund balance - ending		<u>\$ 691,321</u>	

See notes to required supplementary information

**OAKSTEAD COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2010.

The variance between budgeted and actual general fund revenues for the 2010 fiscal year is partially because less discounts were taken by landowners, therefore, net assessment collections were higher than anticipated. The actual general fund expenditures for the 2010 fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors
Oakstead Community Development District
Pasco County, Florida

We have audited the financial statements of the governmental activities and each major fund of Oakstead Community Development District, Pasco County, Florida ("District") as of and for the fiscal year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 8, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, and 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 the management, Board of Supervisors of Oakstead Community Development District, Pasco County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates
April 8, 2011



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

To the Board of Supervisors
Oakstead Community Development District
Pasco County, Florida

We have audited the accompanying basic financial statements of Oakstead Community Development District, Pasco County, Florida, ("District") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated April 8, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated April 8, 2011. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. **Current year findings and recommendations.**
- II. **Status of prior year findings and recommendations.**
- III. **Compliance with the Provisions of the Auditor General of the State of Florida.**

This report is intended for the information of the management, Board of Supervisors of Oakstead Community Development District, Pasco County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

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

Grau & Associates
April 8, 2011

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2009.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2010.

4. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2010.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.

- b. Deficiencies in internal control that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2010.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2010 financial audit report.

REPORT TO MANAGEMENT (Continued)

8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.