

**DOUBLE BRANCH
COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

**DOUBLE BRANCH COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA**

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Grau & Associates
CERTIFIED PUBLIC ACCOUNTANTS

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Double Branch Community Development District
Clay County, Florida

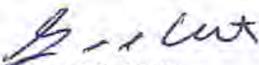
We have audited the accompanying financial statements of the governmental activities and each major fund of Double Branch Community Development District, Clay County, Florida (the "District") as of and for the fiscal year ended September 30, 2011, which collectively comprise the District's basic financial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

We conducted our audit in accordance with 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, 2011, 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 June 26, 2012, 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.


June 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Double Branch Community Development District, Clay County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the District's Independent 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 fiscal year ended September 30, 2011 resulting in a net asset balance of \$10,148,395.
- The change in the District's total net assets in comparison with the prior fiscal year was (\$637,244), 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 analysis section.
- At September 30, 2011, the District's governmental funds reported combined ending fund balances of \$4,701,867, a decrease of (\$187,740) in comparison with the prior fiscal year. A portion of fund balance is restricted for debt service and capital projects, non-spendable for deposits, assigned to maintenance and subsequent year's expenditures, and the remainder is unassigned fund balance 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.

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 governmental activities of the District include the general government (management), recreation and maintenance functions.

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)

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 four individual governmental funds. 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, recreation, debt service and capital projects funds. All of the funds are considered to be major funds.

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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.

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

	NET ASSETS	
	SEPTEMBER 30,	
	2011	2010
Assets, excluding capital assets	\$ 5,576,668	\$ 5,620,989
Capital assets, net of depreciation	34,908,287	35,884,529
Total assets	40,484,955	41,505,518
Liabilities, excluding long-term liabilities	1,131,560	979,879
Long-term liabilities	29,205,000	29,740,000
Total liabilities	30,336,560	30,719,879
Net Assets		
Invested in capital assets, net of related debt	7,024,696	7,700,780
Restricted for debt service	2,589,744	2,682,473
Unrestricted	533,955	402,386
Total net assets	\$ 10,148,395	\$ 10,785,639

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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.

The District's net assets decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

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

CHANGES IN NET ASSETS		
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2011	2010
Revenues:		
Program revenues		
Charges for services	\$ 3,963,802	\$ 3,949,524
Operating grants and contributions	2,363	4,190
Capital grants and contributions	699	1,359
General revenues		
Unrestricted investment earnings	527	745
Miscellaneous	1,723	10,853
Total revenues	<u>3,969,114</u>	<u>3,966,671</u>
Expenses:		
General government	287,343	261,863
Maintenance and operations	1,561,377	2,207,351
Recreation	776,772	740,442
Interest	1,980,866	2,015,820
Total expenses	<u>4,606,358</u>	<u>5,225,476</u>
Change in net assets	(637,244)	(1,258,805)
Net assets - beginning	10,785,639	12,044,444
Net assets - ending	<u>\$ 10,148,395</u>	<u>\$ 10,785,639</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2011 was \$4,606,358. The majority of the costs of the District's activities were paid by program revenues. As in the prior year, program revenues are comprised primarily of assessments. The decrease in maintenance and operations expenses is primarily due to a onetime payment to the Clay County Board of Commissioners for the Oakleaf Plantation Community Park in the prior fiscal year. The District also received funds from rental income and investment earnings which are also included in program revenues.

GENERAL FUND 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. The general fund budget for the fiscal year ended September 30, 2011 was amended to increase revenues by \$119 and increase appropriations by \$13,242. The increase in appropriations is primarily due to the professional fees. Actual general fund expenditures for the fiscal year ended September 30, 2011 exceeded appropriations by \$(1,501). The over expenditures were funded by available fund balance. Actual recreation fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2011, the District had \$43,771,870 invested in land, construction in progress, improvements other than buildings, and recreational facilities for its governmental activities. In the government-wide financial statements, depreciation of \$8,863,583 has been taken, which resulted in a net book value of \$34,908,287. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2011, the District had \$29,205,000 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 YEAR'S BUDGETS AND OTHER EVENTS

The District commenced construction on the amenity center enhancement, which consists of a fitness center and will continue construction into 2012. In addition, it is anticipated that the cost of certain recreational functions will increase; accordingly, the operating and maintenance assessments have been increased for the 2012 fiscal year.

During the current fiscal year, the District Board of Supervisors authorized staff to initiate foreclosure proceedings to enforce collection of certain unpaid fiscal year 2011 direct billed assessments against properties on which the fiscal year 2011 direct billed assessments are delinquent. As a result, certain scheduled debt service payments subsequent to fiscal year end, were made, in part, by draws on the Debt Service Reserve Account. The outcome of the foreclosure proceedings and the specific impact on the District cannot be determined at this time.

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 Double Branch Community Development District Finance Department at 475 West Town Place, Suite 114, St. Augustine, Florida 32092.

**DOUBLE BRANCH COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 283,360
Investments	364,601
Assessments receivable	102
Prepays and deposits	1,975
Restricted assets:	
Investments	4,375,986
Deferred charges	550,644
Capital assets:	
Nondepreciable	7,468,355
Depreciable, net	27,439,932
Total assets	<u>40,484,955</u>
LIABILITIES	
Accounts payable	115,999
Contracts payable	208,137
Due to other	21
Accrued interest payable	807,403
Non-current liabilities:	
Due within one year	555,000
Due in more than one year	28,650,000
Total liabilities	<u>30,336,560</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,024,696
Restricted for debt service	2,589,744
Unrestricted	533,955
Total net assets	<u>\$ 10,148,395</u>

See notes to the financial statements

**DOUBLE BRANCH COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
General government	\$ 287,343	\$ 169,974	\$ -	\$ -	\$ (117,369)
Maintenance and operations	1,561,377	597,948	-	699	(962,730)
Recreation	776,772	776,772	-	-	-
Interest on long-term debt	1,980,866	2,419,108	2,363	-	440,605
Total governmental activities	4,606,358	3,963,802	2,363	699	(639,494)
General revenues:					
Unrestricted investment earnings					527
Miscellaneous					1,723
Total general revenues					2,250
Change in net assets					(637,244)
Net assets - beginning					10,785,639
Net assets - ending					\$ 10,148,395

See notes to the financial statements

**DOUBLE BRANCH COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	Major Funds				Total Governmental Funds
	General	Recreation	Debt Service	Capital Projects	
ASSETS					
Cash	\$ 42,571	\$ 240,789	\$ -	\$ -	\$ 283,360
Investments	142,495	222,106	3,397,084	978,902	4,740,587
Assessments receivable	4	35	63	-	102
Deposits	-	1,975	-	-	1,975
Total assets	<u>\$ 185,070</u>	<u>\$ 464,905</u>	<u>\$ 3,397,147</u>	<u>\$ 978,902</u>	<u>\$ 5,026,024</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,081	\$ 103,918	\$ -	\$ -	\$ 115,999
Contracts payable	-	-	-	208,137	208,137
Due to other	-	21	-	-	21
Total liabilities	<u>12,081</u>	<u>103,939</u>	<u>-</u>	<u>208,137</u>	<u>324,157</u>
Fund balances:					
Nonspendable:					
Deposits	-	1,975	-	-	1,975
Restricted for:					
Debt service	-	-	3,397,147	-	3,397,147
Capital projects	-	-	-	770,765	770,765
Assigned to:					
Maintenance	24,342	60,697	-	-	85,039
Subsequent year's expenditures	12,726	-	-	-	12,726
Unassigned	135,921	298,294	-	-	434,215
Total fund balances	<u>172,989</u>	<u>360,966</u>	<u>3,397,147</u>	<u>770,765</u>	<u>4,701,867</u>
Total liabilities and fund balances	<u>\$ 185,070</u>	<u>\$ 464,905</u>	<u>\$ 3,397,147</u>	<u>\$ 978,902</u>	<u>\$ 5,026,024</u>

See notes to the financial statements

**DOUBLE BRANCH COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

Fund balance - governmental funds \$ 4,701,867

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets for the government as a whole.

Cost of capital assets	43,771,870	
Accumulated depreciation	<u>(8,863,583)</u>	34,908,287

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.

Issuance costs	3,412,020	
Accumulated amortization	<u>(2,861,376)</u>	550,644

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.

Accrued interest payable	(807,403)	
Bonds payable	<u>(29,205,000)</u>	<u>(30,012,403)</u>

Net assets of governmental activities		<u><u>\$ 10,148,395</u></u>
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See notes to the financial statements

**DOUBLE BRANCH COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Major Funds				Total Governmental Funds
	General	Recreation	Debt Service	Capital Projects	
REVENUES					
Assessments	\$ 169,974	\$ 1,346,649	\$ 2,419,108	\$ -	\$ 3,935,731
Interest	120	407	2,363	699	3,589
Rental income	-	28,071	-	-	28,071
Miscellaneous	-	1,723	-	-	1,723
Total revenues	<u>170,094</u>	<u>1,376,850</u>	<u>2,421,471</u>	<u>699</u>	<u>3,969,114</u>
EXPENDITURES					
Current:					
General government	193,343	94,000	-	-	287,343
Recreation	-	529,564	-	-	529,564
Maintenance and operations	-	598,468	-	-	598,468
Debt Service:					
Principal	-	-	535,000	-	535,000
Interest	-	-	1,972,604	-	1,972,604
Capital outlay	-	-	-	233,875	233,875
Total expenditures	<u>193,343</u>	<u>1,222,032</u>	<u>2,507,604</u>	<u>233,875</u>	<u>4,156,854</u>
Excess (deficiency) of revenues over (under) expenditures	(23,249)	154,818	(86,133)	(233,176)	(187,740)
OTHER FINANCING SOURCES (USES)					
Transfer in	-	-	-	21,278	21,278
Transfer out	-	-	(21,278)	-	(21,278)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(21,278)</u>	<u>21,278</u>	<u>-</u>
Net change in fund balances	(23,249)	154,818	(107,411)	(211,898)	(187,740)
Fund balances - beginning	<u>196,238</u>	<u>206,148</u>	<u>3,504,558</u>	<u>982,663</u>	<u>4,889,607</u>
Fund balances - ending	<u>\$ 172,989</u>	<u>\$ 360,966</u>	<u>\$ 3,397,147</u>	<u>\$ 770,765</u>	<u>\$ 4,701,867</u>

See notes to the financial statements

**DOUBLE BRANCH COMMUNITY DEVELOPMENT DISTRICT
CLAY 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, 2011**

Net change in fund balances - total governmental funds	\$ (187,740)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.	233,875
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(1,210,117)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	535,000
Amortization of deferred charges is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(22,944)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	<u>14,682</u>
Change in net assets of governmental activities	<u><u>\$ (637,244)</u></u>

See notes to the financial statements

**DOUBLE BRANCH COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Double Branch Community Development District ("District") was created on July 3, 2002 by the Florida Land and Water Adjudicatory Commission by Chapter 42FF-1, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. 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 encompasses approximately 1,204 acres of land located in Clay County, Florida.

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 by the owners of the property 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 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 property within the District. Operating and maintenance assessments are based upon the adopted budget and levied annually at a public hearing of the District. Debt service assessments are levied when Bonds are issued and assessed and collected on an annual basis. The District may collect assessments directly or utilize the uniform method of collection under Florida Statutes. Direct collected assessments are due as determined by annual assessment resolution adopted by the Board of Supervisors. Assessments collected under the uniform method are mailed by the County Tax Collector on November 1 and due on or before March 31 of each year. Property owners may prepay a portion or all of the debt service assessments on their property subject to various provisions in the Bond documents.

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.

Recreation Fund

The recreation fund is a special revenue fund established to account for the financial resources of the District's recreation areas which are funded by assessments.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 (interest and non-interest bearing).

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 paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, any unspent 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.

Prepaid Items

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

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>
Improvements other than buildings	30
Recreational facilities	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.

Deferred Charges

In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling \$3,412,020. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2011, the District reported accumulated amortization of \$2,861,376.

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.

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.

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.

Fund Equity/Net Assets

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change. Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be reported according to the following classifications:

Non-spendable fund balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted fund balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Fund Equity/Net Assets (Continued)

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed.

Unassigned fund balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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

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.

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 and recreation 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 upcoming 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 appropriations for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Cash

The District’s cash balances 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, 2011:

Investment	Fair Value	Maturities	Credit Risk
First American Prime Obligation Class Z	\$ 4,740,587	Weighted average of 44 days	S&P AAAM

Custodial risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. The money market mutual funds are not evidenced by securities that exist in physical or book entry form.

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 Indentures limit the type of investments held using unspent proceeds.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended September 30, 2011 were as follows:

Fund	Transfer in	Transfer out
Debt service	\$ -	\$ 21,278
Capital projects	21,278	-
Total	\$ 21,278	\$ 21,278

Transfers are used to move revenues from the fund where collection occurs to the fund where funds have been reallocated for use. Transfers between the debt service fund and the capital projects fund are made in accordance with the Bond Indentures.

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 7,146,352	\$ -	\$ -	\$ 7,146,352
Construction in progress	88,128	233,875	-	322,003
Total capital assets, not being depreciated	<u>7,234,480</u>	<u>233,875</u>	<u>-</u>	<u>7,468,355</u>
Capital assets, being depreciated				
Improvements other than buildings	28,887,276	-	-	28,887,276
Recreational facilities	7,416,239	-	-	7,416,239
Total capital assets, being depreciated	<u>36,303,515</u>	<u>-</u>	<u>-</u>	<u>36,303,515</u>
Less accumulated depreciation for:				
Improvements other than buildings	6,103,436	962,909	-	7,066,345
Recreational facilities	1,550,030	247,208	-	1,797,238
Total accumulated depreciation	<u>7,653,466</u>	<u>1,210,117</u>	<u>-</u>	<u>8,863,583</u>
Total capital assets, being depreciated, net	<u>28,650,049</u>	<u>(1,210,117)</u>	<u>-</u>	<u>27,439,932</u>
Governmental activities capital assets	<u>\$ 35,884,529</u>	<u>\$ (976,242)</u>	<u>\$ -</u>	<u>\$ 34,908,287</u>

The District's Board approved the construction of the amenity center enhancement, which consists of a fitness center addition. The fitness center addition is expected to cost approximately \$1 million and will be financed from funds available in the District's Acquisition and Construction trust account.

Depreciation expense was charged to function/programs as follows:

Maintenance and operations	\$ 962,909
Recreation	247,208
Total depreciation expense	<u>\$ 1,210,117</u>

NOTE 7 – LONG TERM LIABILITIES

Series 2002

On September 19, 2002, the District issued \$30,635,000 of Special Assessment Bonds, Series 2002A due on May 1, 2034 with a fixed interest rate of 6.70%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2002A Bond is to be paid annually on each May 1, commencing May 1, 2005.

The Series 2002A Bonds are subject to redemption at the option of the District prior to their maturity in the manner outlined in the Bond Indenture. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as 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 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 those requirements of the Bond Indenture at September 30, 2011.

NOTE 7 – LONG TERM LIABILITIES (Continued)

Series 2005

On August 3, 2005, the District issued \$1,585,000 of Special Assessment Bonds, Series 2005A due on May 1, 2034 with a fixed interest rate of 5.35%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal on the Series 2005A Bond is to be paid annually on each May 1, commencing May 1, 2006.

The Series 2005A Bonds are subject to redemption at the option of the District prior to their maturity in the manner outlined in the Bond Indenture. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity as outlined in the Bond Indenture. This occurred during the current fiscal year as the District collected assessments from lot closings and prepaid \$15,000 of the Series 2004A Bonds.

The Bond Indenture established a debt service reserve requirement as well as 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 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 those requirements of the Bond Indenture at September 30, 2011.

Long-term debt activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2002A	\$ 28,290,000	\$ -	\$ 490,000	\$ 27,800,000	\$ 525,000
Series 2005A	1,450,000	-	45,000	1,405,000	30,000
Total	<u>\$ 29,740,000</u>	<u>\$ -</u>	<u>\$ 535,000</u>	<u>\$ 29,205,000</u>	<u>\$ 555,000</u>

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

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2012	\$ 555,000	\$ 1,937,768	\$ 2,492,768
2013	595,000	1,900,988	2,495,988
2014	635,000	1,861,595	2,496,595
2015	675,000	1,819,523	2,494,523
2016	725,000	1,774,770	2,499,770
2017-2021	4,445,000	8,083,113	12,528,113
2022-2026	6,190,000	6,393,300	12,583,300
2027-2031	8,640,000	4,036,140	12,676,140
2032-2034	6,745,000	915,695	7,660,695
Total	<u>\$ 29,205,000</u>	<u>\$ 28,722,892</u>	<u>\$ 57,927,892</u>

NOTE 8 – INTERLOCAL AGREEMENTS

The District has entered into an interlocal agreement with Clay County and Middle Village Community Development District (“Middle Village”) for the planning, funding, construction, maintenance, and use of regional recreational facilities, the Oakleaf Plantation Community Park. The total construction costs to be funded by the District are \$580,000 and costs to be funded by Middle Village are \$742,000. In connection with this agreement, the District paid \$580,000 to the Clay County Board of Commissioners during the prior fiscal year.

NOTE 8 – INTERLOCAL AGREEMENTS (Continued)

The District has also entered into an agreement with Middle Village for joint usage of the amenity center and recreational facilities located within and owned by each respective District.

The District has entered into an interlocal agreement with Middle Village to share the costs for on-site management services. In accordance with the agreement, the Districts share the costs of a full time rental coordinator, a full time community manager, and a part time operations manager.

In a prior fiscal year, the District entered into an interlocal agreement with the County for maintenance and use of the Developer's proposed library site. The County is planning to commence construction of the library at sometime in the future, although a specific date has not been set. The agreement provides that the District must maintain the property and may use the site for parties and special events until construction of the library commences.

In the prior fiscal year, the District entered into an impact fee credit agreement with Clay County and Middle Village which provides the District a road impact fee credit equal to approximately \$5.1 million. As of September 30, 2011, none of the credits have been recognized.

NOTE 9 – DELINQUENT ASSESSMENTS

The District certified for collection special assessments on benefitting property within its boundary to fund its fiscal year 2011 operations and maintenance budget and debt service budget. The District certified a portion of the special assessments for collection on the county tax roll pursuant to the Uniform Method and a portion for direct collection by the District. A total of approximately \$77,404 in Operating and Maintenance Assessments and \$82,685 in Debt Service Assessments were certified for direct collection to VCOP, LLC in fiscal year 2011 (the "Direct Billed Assessments"). VCOP, LLC made a partial payment in the amount of \$11,952 on the Direct Billed Assessments, but the balance remains unpaid and is delinquent.

On May 9, 2011, the District Board of Supervisors authorized staff to initiate foreclosure proceedings to enforce collection of the unpaid Direct Billed Assessments against properties on which the Direct Billed Assessments are delinquent. The District filed its foreclosure complaint on March 28, 2012. The District believes it has a reasonable likelihood of success on the merits in enforcing these assessments, but the amounts of proceeds the District will receive as a result of such proceeding, if any, and the potential length of such proceeding, are difficult to determine at this time.

NOTE 10 – 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 11 – 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.

NOTE 12 – SUBSEQUENT EVENTS

Scheduled Debt Service Payments

Subsequent to fiscal year end, certain scheduled debt service payments were due on the Series 2002A Bonds. However, shortfalls in the collection of special assessments caused there to be insufficient amounts available to fully fund the scheduled debt service payments. As a result, the scheduled interest payment on the Series 2002A was made, in part, by a draw on the Debt Service Reserve Account of \$53,785.

Scheduled Debt Service Payments

O&M Assessments and Debt Service Assessments were certified for direct collection to Star Construction and Engineering, Inc. ("Star Construction") in fiscal year 2011-2012 (the "Star Assessments"). Star Construction failed to pay these assessments. On April 9, 2012, the District Board of Supervisors authorized staff to initiate foreclosure proceedings to enforce collection of the unpaid Star Assessments pursuant to Chapters 170 and 702, *Fla. Stat.*, against properties on which the Star Assessments are delinquent. The District believes it has a reasonable likelihood of success on the merits in enforcing these assessments, but the amount of proceeds the District will receive as a result of such proceeding, if any, and the potential length of such proceeding, are difficult to determine at this time.

**DOUBLE BRANCH COMMUNITY DEVELOPMENT DISTRICT
CLAY COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 178,600	\$ 178,600	\$ 169,974	\$ (8,626)
Interest	-	119	120	1
Total revenues	<u>178,600</u>	<u>178,719</u>	<u>170,094</u>	<u>(8,625)</u>
EXPENDITURES				
Current:				
General government	178,600	191,842	193,343	(1,501)
Total expenditures	<u>178,600</u>	<u>191,842</u>	<u>193,343</u>	<u>(1,501)</u>
Excess (deficiency) of revenues over (under) expenditures	-	(13,123)	(23,249)	(10,126)
OTHER FINANCING SOURCES				
Carryforward surplus	-	13,123	-	(13,123)
Total other financing sources	<u>-</u>	<u>13,123</u>	<u>-</u>	<u>(13,123)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(23,249)</u>	<u>\$ (23,249)</u>
Fund balance - beginning			<u>196,238</u>	
Fund balance - ending			<u>\$ 172,989</u>	

See notes to required supplementary information

**DOUBLE BRANCH COMMUNITY DEVELOPMENT DISTRICT
CLAY 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 and recreation 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. The general fund budget for the fiscal year ended September 30, 2011 was amended to increase revenues by \$119 and increase appropriations by \$13,242. The increase in appropriations is primarily due to the professional fees. Actual general fund expenditures for the fiscal year ended September 30, 2011 exceeded appropriations by \$(1,501). The over expenditure was not considered significant. The over expenditures were funded by available fund balance. Actual recreation fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2011.



**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
Double Branch Community Development District
Clay County, Florida

We have audited the financial statements of the governmental activities and each major fund of Double Branch Community Development District, Clay County, Florida ("District") as of and for the fiscal year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 Double Branch Community Development District, Clay 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.

June 26, 2012



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

To the Board of Supervisors
Double Branch Community Development District
Clay County, Florida

We have audited the accompanying basic financial statements of Double Branch Community Development District ("District") as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated June 26, 2012.

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 June 26, 2012. 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.**

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This letter is intended for the information and use of management, Board of Supervisors of Double Branch Community Development District, Clay 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 Double Branch Community Development District, Clay 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.


June 26, 2012

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 significant 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, 2010.

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, 2011.

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, 2011.

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, 2011.

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, 2011 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.