

**COUNTRY GREENS COMMUNITY DEVELOPMENT DISTRICT  
LAKE COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2009**

**COUNTRY GREENS COMMUNITY DEVELOPMENT DISTRICT  
LAKE 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 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	12-18
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	19
Notes to Required Supplementary Information	20
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	21-22
MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	23-25

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Country Greens Community Development District  
Lake County, Florida

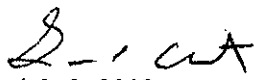
We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining nonmajor fund of Country Greens Community Development District, Lake County, Florida (the "District") as of and for the fiscal year ended September 30, 2009, which collectively comprise 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, each major fund and the remaining nonmajor fund of the District as of September 30, 2009, 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 July 9, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts, 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.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



July 9, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Country Greens Community Development District, Lake County, Florida ("District") financial performance provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2009. 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 \$106,826.
- The change in the District's total net assets in comparison with the prior year was \$91,110, an increase. 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, 2009, the District's governmental funds reported combined ending fund balances of \$1,359,497, an increase of \$86,290 in comparison with the prior year. Of the total fund balance, a portion is reserved for debt service, capital projects 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 is intended to serve as the introduction to the District's 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) and maintenance functions.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

### 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.

#### 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 individual 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 fund, and capital projects funds. The general and debt service funds are considered to be major funds and the capital projects fund is considered to be a non-major fund.

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 provided in the government-wide and fund financial statements.

#### FINANCIAL ANALYSIS: GOVERNMENT-WIDE

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 in 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. They are funds set aside for debt service under the District's Bond Indentures. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

## FINANCIAL ANALYSIS: GOVERNMENT-WIDE (Continued)

Key components of the District's net assets were as follows:

	2009	2008
Assets, excluding capital assets	\$ 1,390,694	\$ 1,303,133
Capital assets, net of depreciation	4,588,743	4,702,613
Total assets	<u>5,979,437</u>	<u>6,005,746</u>
Liabilities, excluding long-term liabilities	162,611	190,030
Long-term liabilities	5,710,000	5,800,000
Total liabilities	<u>5,872,611</u>	<u>5,990,030</u>
Net Assets		
Invested in capital assets, net of related debt	(1,118,554)	(1,094,699)
Restricted for debt service	671,198	653,864
Unrestricted	554,182	456,551
Total net assets	<u>\$ 106,826</u>	<u>\$ 15,716</u>

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

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,		
	2009	2008
Revenues:		
Program revenues		
Charges for services	\$ 943,505	\$ 959,556
Operating grants and contributions	3,987	
General revenues	2,114	11,566
Total revenues	<u>949,606</u>	<u>971,122</u>
Expenses:		
General government	133,231	150,167
Maintenance and operations	343,499	340,873
Interest	381,766	387,369
Total expenses	<u>858,496</u>	<u>878,409</u>
Change in net assets	91,110	92,713
Net assets, beginning	15,716	(76,997)
Net assets, ending	<u>\$ 106,826</u>	<u>\$ 15,716</u>

As in the prior fiscal year, the majority of the costs of the District's activities were paid by program revenues. Program revenues were comprised primarily of charges for services which reflect assessments, including those on Developer owned land, for both years reflected in the table above.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District's general fund includes all activities related to providing management and operating services.

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental funds.

FOR THE FISCAL YEAR ENDED SEPTEMBER 30,				
	2009		2008	
General government	\$ 133,231	18%	\$ 150,167	18%
Maintenance and operations	229,629	26%	227,003	27%
Interest and principal on long-term debt	474,250	56%	474,716	55%
Total	<u>\$ 837,110</u>	<u>100%</u>	<u>\$ 851,886</u>	<u>100%</u>

As noted above, debt service comprised the majority of expenditures for total governmental activities for both the current and prior fiscal years.

## 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. The actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2009.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2009, the District had \$5,158,093 invested in land and land improvements and infrastructure. In the government-wide financial statements depreciation of \$569,350 has been taken, which resulted in a net book value of \$4,588,743. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2009, the District had \$5,710,000 in Bonds outstanding, a decrease of approximately 2% from the prior year. More detailed information about the District's capital debt is presented in the notes of the financial statements.

### 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 Country Greens Community Development District's Finance Department at 210 N. University Drive, Suite 702, Coral Springs, Florida, 33071.

**COUNTRY GREENS COMMUNITY DEVELOPMENT DISTRICT  
LAKE COUNTY, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 508,370
Assessments receivable	28,057
Due from Developer	19,953
Prepaid	2,694
Restricted assets:	
Investments	831,620
Capital assets:	
Nondepreciable	1,742,000
Depreciable, net	2,846,743
Total assets	<u>5,979,437</u>
<b>LIABILITIES</b>	
Accounts payable	4,991
Accrued interest payable	157,620
Non-current liabilities:	
Due within one year	90,000
Due in more than one year	5,620,000
Total liabilities	<u>5,872,611</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(1,118,554)
Restricted for debt service	671,198
Unrestricted	554,182
Total net assets	<u>\$ 106,826</u>

See notes to the financial statements



**COUNTRY GREENS COMMUNITY DEVELOPMENT DISTRICT  
LAKE COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Functions/Programs Primary government:	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	
Governmental activities:			
General government	\$ 133,231	\$ -	\$ -
Maintenance and operations	343,499	15	(28,242)
Interest on long-term debt	381,766	3,972	117,238
Total governmental activities	858,496	3,987	88,996
General revenues:			
Unrestricted investment earnings			2,114
Total general revenues			2,114
Change in net assets			91,110
Net assets - beginning			15,716
Net assets - ending			\$ 106,826

See notes to the financial statements

**COUNTRY GREENS COMMUNITY DEVELOPMENT DISTRICT  
LAKE COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	Major Funds		Non Major	Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>ASSETS</b>				
Cash	\$ 508,370	\$ -	\$ -	\$ 508,370
Investments		828,737	2,883	831,620
Assessments receivable	26,896	1,161		28,057
Due from Developer	19,953			19,953
Due from other funds	1,260			1,260
Prepays	2,694			2,694
Total assets	\$ 559,173	\$ 829,898	\$ 2,883	\$ 1,391,954
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 4,991	\$ -	\$ -	\$ 4,991
Deferred revenue	26,206			26,206
Due to other funds		1,080	180	1,260
Total liabilities	31,197	1,080	180	32,457
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Debt service		828,818		828,818
Capital projects			2,703	2,703
Other	2,694			2,694
<b>Unreserved, reported in:</b>				
General fund	525,282			525,282
Total fund balances	527,976	828,818	2,703	1,359,497
<b>Total liabilities and fund balances</b>	<b>\$ 559,173</b>	<b>\$ 829,898</b>	<b>\$ 2,883</b>	<b>\$ 1,391,954</b>

See notes to the financial statements

**COUNTRY GREENS COMMUNITY DEVELOPMENT DISTRICT  
LAKE COUNTY, FLORIDA  
RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUNDS  
TO STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

Fund balances - governmental funds		\$ 1,359,497
<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 any accumulated depreciation, in the net assets of the government as a whole.</p>		
Cost of capital assets	5,158,093	
Accumulated depreciation	<u>(569,350)</u>	4,588,743
<p>Assets that are not available to pay for current-period expenditures are deferred in the fund financial statements.</p>		
		26,206
<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	(157,620)	
Bonds payable	<u>(5,710,000)</u>	(5,867,620)
Net assets of governmental activities		<u>\$ 106,826</u>

See notes to the financial statements

**COUNTRY GREENS COMMUNITY DEVELOPMENT DISTRICT  
LAKE COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Major Funds		Non Major	Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>REVENUES</b>				
Assessments	\$ 422,267	\$ 495,032	\$ -	\$ 917,299
Interest	2,114	3,972	15	6,101
Total revenues	<u>424,381</u>	<u>499,004</u>	<u>15</u>	<u>923,400</u>
<b>EXPENDITURES</b>				
Current:				
General government	123,327	9,904		133,231
Maintenance and operations	229,629			229,629
Debt Service:				
Principal		90,000		90,000
Interest		384,250		384,250
Total expenditures	<u>352,956</u>	<u>484,154</u>	<u>-</u>	<u>837,110</u>
Excess (deficiency) of revenues over (under) expenditures	71,425	14,850	15	86,290
Fund balances - beginning	<u>456,551</u>	<u>813,968</u>	<u>2,688</u>	<u>1,273,207</u>
Fund balances - ending	<u>\$ 527,976</u>	<u>\$ 828,818</u>	<u>\$ 2,703</u>	<u>\$ 1,359,497</u>

See notes to the financial statements

**COUNTRY GREENS COMMUNITY DEVELOPMENT DISTRICT  
LAKE 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, 2009**

Net change in fund balances - total governmental funds	\$ 86,290
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation on capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(113,870)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statements but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	90,000
Revenues in the statement of activities that do not provide current financial resources are deferred and not reported as revenues in the fund financial statements.	26,206
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>2,484</u>
Change in net assets of governmental activities	<u><u>\$ 91,110</u></u>

See notes to the financial statements

**COUNTRY GREENS COMMUNITY DEVELOPMENT DISTRICT  
LAKE COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Country Greens Community Development District (the "District") was created on December 2, 1991 by Ordinance of the City Commission of Lake County, Florida under the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, and was adopted as Lake County, Florida Ordinance 1991-16, under the name of Country Greens Community Development District. 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 non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose 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 was created in 1991 but was dormant until 2001.

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. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. Certain Board members are affiliated with Eagle Dunes, LLC ("Developer") at September 30, 2009.

The Board has the final responsibility for:

1. Assessing and levying special 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.

**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 1 – 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 and to provide funds for payment of the District's debt service payments. 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.

The District also reports the following nonmajor governmental fund:

### Capital Projects Fund

The 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 1 – 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.

**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.

**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.

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>
Infrastructure	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.



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Assets, Liabilities and Net Assets or Equity (Continued)**

#### **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 over the life of the Bonds ratably over the life of the Bonds. Bonds payable are reported net of 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 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.

### **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 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **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 accounting principles for the general fund.

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 3 – CASH 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, 2009:

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturities</u>
Fidelity Institutional Govt Money			Weighted average of the fund
Market Funds	\$ 3,685	S&P AAAM	portfolio: 27 days
US Treasury Bill	827,935	N/A	10/29/2009
	<u>\$ 831,620</u>		

*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. The US Treasury investment is 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 4 – DEVELOPER TRANSACTIONS

In the prior year, the District requested and obtained approval from Lake County for the expansion of the District to include additional land of the Developer. The cost of this process is to be paid by the Developer. At September 30, 2009 the District has recorded a Due from Developer in the amount of \$19,953 for costs incurred in connection with this project.

In the current year, the District directly billed the Developer for operations and maintenance assessments related to the lands included as a result of the boundary amendment. The amount billed was \$26,206; the amount has not been collected and is reported as assessment receivable and deferred revenue in the fund statements.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 1,742,000	\$ -	\$ -	\$ 1,742,000
Total capital assets, not being depreciated	1,742,000	-	-	1,742,000
Capital assets, being depreciated				
Infrastructure - stormwater	1,950,289			1,950,289
Infrastructure - other	1,465,804			1,465,804
Total capital assets, being depreciated	3,416,093	-	-	3,416,093
Less accumulated depreciation for:				
Infrastructure - stormwater	(260,040)	(65,010)		(325,050)
Infrastructure - other	(195,440)	(48,860)		(244,300)
Total accumulated depreciation	(455,480)	(113,870)	-	(569,350)
Total capital assets, being depreciated, net	2,960,613	(113,870)	-	2,846,743
Governmental activities capital assets, net	\$ 4,702,613	\$ (113,870)	\$ -	\$ 4,588,743

## NOTE 6 – LONG-TERM LIABILITIES

In August 2003, the District issued \$6,100,000 of Special Assessment Revenue Bonds, Series 2003 due on May 1, 2034 with a fixed interest rate of 6.625%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1. Principal is paid serially commencing November 1, 2008 through May 1, 2034.

The Series 2003 Bonds may, at the option of the District, be called for redemption as a whole at any time or in part on any interest payment date on or after May 1, 2013 at a redemption price set forth in the Bond Indenture. The Bonds are also subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occur as outlined in the Bond Indenture. This occurred during the 2009 fiscal year as the District used excess revenues and prepaid \$5,000 of the Series 2003 Bonds. See Note 10 for additional prepayments subsequent to year end.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. The Bond Indenture also has certain 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 agreed 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 at September 30, 2009.

Changes in long-term liability activity for the fiscal year ended September 30, 2009 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds Payable Series 2003	\$ 5,800,000	\$ -	\$ 90,000	\$ 5,710,000	\$ 90,000

## NOTE 6 – LONG-TERM LIABILITIES (Continued)

At September 30, 2009, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2010	\$ 90,000	\$ 378,619	\$ 468,619
2011	100,000	372,656	472,656
2012	105,000	366,031	471,031
2013	115,000	359,075	474,075
2014	120,000	351,456	471,456
2015 - 2019	740,000	1,625,775	2,365,775
2020 - 2024	1,030,000	1,345,206	2,375,206
2025 - 2029	1,430,000	954,325	2,384,325
2030 - 2034	1,980,000	410,750	2,390,750
Total	\$ 5,710,000	\$ 6,163,894	\$ 11,873,894

## NOTE 7 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory 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 8 – 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 9 – OTHER INFORMATION

One of the builders, who is also a landowner, located within the District filed for bankruptcy protection. The District has filed a proof of claim with the bankruptcy court and has recorded a notice of lien in the public records. Subsequent to the end of the fiscal year, the lands owned by the builder have been sold to a third party pursuant to order of the bankruptcy court and all assessments are current.

## NOTE 10 – SUBSEQUENT EVENT

### Bond Payment

In May 2010, the District prepaid \$5,000 of the Series 2003 Bonds. The prepayment was an extraordinary mandatory redemption as outlined in the Bond Indenture.

**COUNTRY GREENS COMMUNITY DEVELOPMENT DISTRICT  
LAKE COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Assessments	\$ 446,787	\$ 422,267	\$ (24,520)
Interest	9,500	2,114	(7,386)
<b>Total revenues</b>	<u>456,287</u>	<u>424,381</u>	<u>(31,906)</u>
<b>EXPENDITURES</b>			
Current:			
General government	136,566	123,327	13,239
Maintenance and operations	319,721	229,629	90,092
<b>Total expenditures</b>	<u>456,287</u>	<u>352,956</u>	<u>103,331</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	71,425	<u>\$ 71,425</u>
Fund balance - beginning		<u>456,551</u>	
Fund balance - ending		<u>\$ 527,976</u>	

See notes to required supplementary information

**COUNTRY GREENS COMMUNITY DEVELOPMENT DISTRICT  
LAKE 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. The variance between budgeted and actual general fund revenues for the 2009 fiscal year resulted from discounts being taken by landowners. The actual general fund expenditures for the 2009 fiscal year were lower than budgeted amounts due primarily to anticipated repair and maintenance work which was not required.

**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  
Country Greens Community Development District  
Lake County, Florida

We have audited the financial statements of the governmental activities, each major fund and the remaining nonmajor fund of Country Greens Community Development District, Lake County, Florida ("District") as of and for the fiscal year ended September 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 9, 2010. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

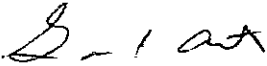
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Country Greens Community Development District, Lake 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.

A handwritten signature in black ink, appearing to be "B. I. [unclear]".

July 9, 2010



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

To the Board of Supervisors  
Country Greens Community Development District  
Lake County, Florida

We have audited the accompanying basic financial statements of Country Greens Community Development District, Lake County, Florida ("District") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated July 9, 2010.

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.

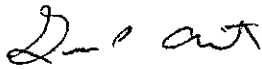
In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated July 9, 2010. Disclosures in that report should be considered in conjunction with this management letter.

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 Country Greens Community Development District, Lake 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 Country Greens Community Development District, Lake 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.

  
July 9, 2010

## 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, 2008.

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, 2009.

4. Violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts 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, 2009.

5. For matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of laws, regulations, and contracts or grant agreements, or abuse that have occurred, or are likely to have occurred.

- b. Control deficiencies 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, 2009.

## REPORT TO MANAGEMENT (Continued)

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, 2009 financial audit report.
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.