

Durbin Crossing Community
Development District

Financial Statements

September 30, 2013

Durbin Crossing Community Development District
Table of Contents
September 30, 2013

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (required supplemental information)	3 - 7
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Governmental Fund Financial Statements:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14 - 24
REQUIRED SUPPLEMENTAL INFORMATION (other than MD&A)	
Budget to Actual Comparison Schedule - General Fund	25
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26 - 27
Management Letter	28 - 29



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Durbin Crossing Community Development District
St. Johns County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Durbin Crossing Community Development District (hereinafter referred to as "District"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the District did not make the May 2013 debt service interest payment on the Series 2006-1 bonds. Subsequent to year end, the District also failed to make its November 2013 debt service interest payment on the Series 2006-1 bonds.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 7, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Miramar Beach, Florida
April 7, 2014

Management's Discussion And Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Durbin Crossing Community Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2013. Please read it in conjunction with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- At September 30, 2013, the liabilities and deferred inflows of resources of the District exceeded its assets by approximately \$38.9 million (deficit).
- During the fiscal year ended September 30, 2013, the District incurred approximately \$3.1 million of interest expenditures and repaid principal of approximately \$3.3 million. The District did not make the May 2013 debt service interest payment on the Series 2006-1 bonds. As a result, the District has recorded a debt service obligation of \$163,013. Subsequent to year end, the District also failed to make its November 2013 debt service interest payment on the Series 2006-1 bonds.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 8 – 9 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 4. The fund financial statements begin on page 10 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

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

THE DISTRICT AS A WHOLE

The following table reflects the condensed Statement of Net Position and is compared to the prior year. Certain prior year amounts have been modified to reflect changes associated with the adoption of new accounting standards in the current year.

September 30,	2013	2012	Change
Assets			
Current and other assets	\$ 6,376,296	\$ 6,325,748	\$ 50,548
Capital assets, net	9,155,457	9,516,266	(360,809)
Total assets	\$ 15,531,753	\$ 15,842,014	\$ (310,261)
Liabilities			
Current liabilities	\$ 2,501,033	\$ 3,145,734	\$ (644,701)
Other liabilities	51,760,000	54,475,000	(2,715,000)
Total liabilities	54,261,033	57,620,734	(3,359,701)
Deferred inflows of resources			
Deferred revenue	141,689	81,247	60,442
Total deferred inflows of resources	141,689	81,247	60,442
Net position			
Net investment in capital assets	9,155,457	9,516,266	(360,809)
Restricted for:			
Debt service	1,479,068	1,130,834	348,234
Capital projects	-	131,750	(131,750)
Unrestricted	(49,505,494)	(52,638,817)	3,133,323
Total net position (deficit)	(38,870,969)	(41,859,967)	2,988,998
Total liabilities and net position	\$ 15,531,753	\$ 15,842,014	\$ (370,703)

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

During the fiscal year ended September 30, 2013, total assets and liabilities decreased by approximately \$310,000 and \$3.3 million, respectively, while total deferred inflows of resources remained substantially unchanged. The decrease in assets is primarily due to depreciation on capital assets. The decrease in liabilities is primarily due to the repayment of outstanding long-term bond principal.

The following schedule compares the Statement of Activities for the current and previous fiscal year. Certain prior year amounts have been modified to reflect changes associated with the adoption of new accounting standards in the current year.

<i>Year ended September 30,</i>	2013	2012	Change
Revenues:			
Program revenues:			
Charges for services	\$ 4,843,968	\$ 5,095,175	\$ (251,207)
Grants and contributions	2,984,917	3,031,544	(46,627)
General revenues:			
Interest and other revenues	9,547	10,415	(868)
Total revenues	7,838,432	8,137,134	(298,702)
Expenses:			
General government	336,952	201,886	135,066
Maintenance and operations	1,088,590	1,038,887	49,703
Amenity center	428,562	424,280	4,282
Capital infrastructure	-	20,993	(20,993)
Interest	2,995,330	3,200,302	(204,972)
Total expenses	4,849,434	4,886,348	(36,914)
Increase in net position	2,988,998	3,250,786	(261,788)
Net position (deficit), beginning	(41,859,967)	(45,110,753)	3,250,786
Net position (deficit), ending	\$ (38,870,969)	\$ (41,859,967)	\$ 2,988,998

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

Revenues decreased approximately \$299,000 from the prior year, while expenses did not significantly change. The decrease in revenues is due to a decrease in 2013 assessment rates. The overall result was a \$3 million increase in net position for fiscal year 2013.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of approximately \$5.93 million, which is a slight decrease from last year's balance that totaled approximately \$5.95 million. Significant transactions are discussed below.

- During the fiscal year ended September 30, 2013, the District incurred approximately \$3.1 million of interest expenditures and repaid principal of approximately \$3.3 million. The

District did not make the May 2013 debt service interest payment on the Series 2006-1 bonds. As a result, the District has recorded a debt service obligation of \$163,013. Subsequent to year end, the District failed to make its November 2013 debt service interest payment on the Series 2006-1 bonds.

The overall decrease in fund balance for the year ended September 30, 2013 totaled approximately \$14,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2013, the District had approximately \$9.2 million invested in capital assets (net of accumulated depreciation). This amount represents a net decrease of approximately \$361,000 from the fiscal year 2012 total.

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

<i>September 30,</i>	2013	2012	Change
Capital assets being depreciated	\$ 11,210,685	\$ 11,197,389	\$ 13,296
Accumulated depreciation	(2,055,228)	(1,681,123)	(374,105)
Net capital assets	\$ 9,155,457	\$ 9,516,266	\$ (360,809)

More information about the District's capital assets is presented in Note 6 to the financial statements.

Debt

At September 30, 2013, the District had approximately \$52.8 million of bonds outstanding. This amount represents a decrease of approximately \$3.3 million from the fiscal year 2012 total.

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

<i>September 30,</i>	2013	2012	Change
Series 2005 A bonds	\$ 46,455,000	\$ 47,575,000	\$ (1,120,000)
Series 2005 B-2 bonds	420,000	1,595,000	(1,175,000)
Series 2006-1 bonds	5,880,000	6,880,000	(1,000,000)
Total	\$ 52,755,000	\$ 56,050,000	\$ (3,295,000)

More information about the District's long-term debt is presented in Note 7 to the financial statements.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An Operating budget was established by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the General Fund, including the original budget and final adopted budget, is shown at page 25.

The District experienced an unfavorable variance in revenues as compared to the budget in the amount of \$77,930. Conversely, the District has a favorable variance in expenditures over the budget in the amount of \$51,247. The variance in revenues occurred primarily due to unpaid assessments on the property owned by DOA Properties IX (see Note 11). The variance in expenditures occurred primarily due to anticipated budgeted operating expenditures that were not incurred during the year.

FUTURE FINANCIAL FACTORS

Durbin Crossing Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2014 were established to provide for the operations of the District as well as the necessary debt service requirements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Durbin Crossing Community Development District's management company, Government Management Services, LLC, at 475 West Town Place, Suite 114, St. Augustine, FL 32092.

Basic Financial Statements

Durbin Crossing Community Development District

Statement of Net Position

<i>September 30,</i>	2013
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,398,640
Investments	4,660,751
Assessments receivable, net	283,719
Other receivables	2,180
Prepaid expenses	31,006
Capital assets:	
Depreciable, net	9,155,457
Total assets	15,531,753
Liabilities	
Accounts payable	137,848
Accrued interest payable	1,368,185
Non-current liabilities:	
Due within one year	995,000
Due in more than one year	51,760,000
Total liabilities	54,261,033
Deferred inflows of resources	
Deferred revenue	141,689
Total deferred inflows of resources	141,689
Net position	
Net investment in capital assets	9,155,457
Restricted for:	
Debt service	1,479,068
Unrestricted	(49,505,494)
Total net position	\$ (38,870,969)

See accompanying notes to financial statements.

Durbin Crossing Community Development District

Statement of Activities

Year ended September 30,

2013

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ (336,952)	\$ 222,600	\$ -	\$ -	\$ (114,352)	
Maintenance and operations	(1,088,590)	695,068	-	-	(393,522)	
Amenity center	(428,562)	417,238	-	-	(11,324)	
Interest	(2,995,330)	3,509,062	2,984,912	5	3,498,649	
Total governmental activities	\$ (4,849,434)	\$ 4,843,968	\$ 2,984,912	\$ 5	2,979,451	

General revenues

Interest and other revenues	9,547
Change in net position	2,988,998
Net position (deficit) - beginning of year, restated	(41,859,967)
Net position (deficit) - end of year	\$(38,870,969)

See accompanying notes to financial statements.

Durbin Crossing Community Development District

Balance Sheet - Governmental Funds

September 30,

2013

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 116,823	\$ 1,231,813	\$ 50,004	\$ 1,398,640
Investments	193,985	4,306,632	160,134	4,660,751
Assessments receivable, net	8,091	275,628	-	283,719
Other receivables	2,180	-	-	2,180
Prepaid expenditures	31,006	-	-	31,006
Due from other funds	113,065	-	-	113,065
Total assets	\$ 465,150	\$ 5,814,073	\$ 210,138	\$ 6,489,361
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 136,681	\$ -	\$ 1,167	\$ 137,848
Debt service obligation	-	163,013	-	163,013
Due to other funds	-	-	113,065	113,065
Total liabilities	136,681	163,013	114,232	413,926
Deferred inflows of resources				
Deferred revenue	113,790	27,899	-	141,689
Total deferred inflows of resources	113,790	27,899	-	141,689
Fund balances				
Nonspendable	31,006	-	-	31,006
Restricted for debt service	-	5,623,161	-	5,623,161
Assigned for capital reserves	166,665	-	95,906	262,571
Unassigned	17,008	-	-	17,008
Total fund balances	214,679	5,623,161	95,906	5,933,746
Total liabilities, deferred inflows of resources, and fund balances	\$ 465,150	\$ 5,814,073	\$ 210,138	\$ 6,489,361

See accompanying notes to financial statements.

Durbin Crossing Community Development District

Reconciliation of the Balance Sheet to the Statement of Net Position

<i>September 30,</i>	2013
Total fund balances, governmental funds	\$ 5,933,746
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	9,155,457
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund financial statements.	(53,960,172)
Total net position (deifict) - governmental activities	\$ (38,870,969)

See accompanying notes to financial statements.

Durbin Crossing Community Development District

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

Year ended September 30,

2013

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Assessments	\$ 1,334,906	\$ 3,520,775	\$ -	\$ 4,855,681
Prepayment revenue	-	2,983,414	-	2,983,414
Interest and other revenues	9,547	1,498	5	11,050
Total revenues	1,344,453	6,505,687	5	7,850,145
Expenditures				
Current:				
General government	228,642	108,310	-	336,952
Maintenance and operations	713,932	-	553	714,485
Amenity center	428,562	-	-	428,562
Debt service:				
Principal	-	3,295,000	-	3,295,000
Interest	-	3,076,310	-	3,076,310
Capital outlay	-	-	13,296	13,296
Total expenditures	1,371,136	6,479,620	13,849	7,864,605
Excess (deficit) of revenues over expenditures	(26,683)	26,067	(13,844)	(14,460)
Other Financing Sources (Uses)				
Transfer in	135,065	-	113,065	248,130
Transfer out	(113,065)	-	(135,065)	(248,130)
Total other financing sources (uses)	22,000	-	(22,000)	-
Net change in fund balances	(4,683)	26,067	(35,844)	(14,460)
Fund balances, beginning of year	219,362	5,597,094	131,750	5,948,206
Fund balances, end of year	\$ 214,679	\$ 5,623,161	\$ 95,906	\$ 5,933,746

See accompanying notes to financial statements.

Durbin Crossing Community Development District

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

<i>Year ended September 30,</i>	2013
Net change in fund balances - governmental funds	\$ (14,460)
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position.	13,296
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.	(374,105)
Revenues previously reported in the Statement of Activities that did not provide current financial resources are reported in the current period in the governmental funds.	(11,713)
Governmental funds report principal payments on bonds when debt is paid, whereas these payments are eliminated in the Statement of Activities and recognized as a decrease in bonds payable in the Statement of Net Position.	3,295,000
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	80,980
Change in net position of governmental activities	\$ 2,988,998

See accompanying notes to financial statements.

Durbin Crossing Community Development District

Notes to Financial Statements

NOTE 1 – NATURE OF ORGANIZATION

The Durbin Crossing Community Development District (the “District”) is a local unit of special-purpose government located in St. Johns County, created under and pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes (the “Act”), and established by Rule 42MM-1, Florida Administrative Code adopted by the Florida Land and Water Adjudicatory Commission on November 5, 2003. 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 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 a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. During the reporting period, one Supervisor was affiliated with Durbin Crossing, LLC, Orchard Park Jax, LLC, and Silvertree Estates, LLC (each a related company and collectively the “Master Developer”) or Durbin Crossing North, LLC, which is developing certain items of the master infrastructure for the northern portion of the development. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

1. Allocating 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.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB) in statements No. 14 and No. 61. Based on the foregoing criteria, no potential component units were found.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2013, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

Assessments, including debt service assessments along with operation and maintenance assessments, are non-ad valorem special assessments imposed on all lands located within the District and benefited by the District's activities, operation and maintenance. Assessments are levied and certified for collection by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. Operation and maintenance special assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain benefited lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District. Certain debt service assessments are collected upon the closing of those lots subject to short term debt and are used to prepay a portion of the bonds outstanding.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessments and assessments receivable are recorded net of any provision for bad debt and allowance for doubtful accounts, respectively. The District provides for doubtful accounts based on experience and analysis of individual accounts. When the collectibility of specific accounts becomes questionable, an allowance for doubtful accounts is established. At September 30, 2013, the allowance for doubtful accounts totaled \$926,680.

The District reports the following major governmental funds:

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

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

Capital Projects Fund – The Capital Projects Fund accounts for the financial resources to be used in the acquisition or construction of major infrastructure within the District.

For the year ended September 30, 2013, the District does not report any proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, the unassigned resources as needed.

Cash, Deposits and Investments

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

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

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others negotiable direct or indirect obligations which are secured by the United States Government; the Local Government Surplus Funds Trust as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Asset	Years
Infrastructure	25

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest or straight-line method. Bonds payable are reported net of these premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period expenses.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item at September 30, 2013.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District only has one item, deferred revenue, which qualifies for reporting in this category. Deferred revenue results from assessments collected in advance of the year for which they were levied or imposed.

Fund Equity

Net position in the government-wide financial statements represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents the assets restricted by the District's bond covenants.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

Budgets

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

NOTE 3 – INVESTMENTS

All investments held at September 30, 2013, are reported at fair value based on quoted market prices, which approximates amortized cost.

<u>September 30,</u>	<u>2013</u>	<u>Credit Risk</u>	<u>Maturities</u>
Short-term Money Market Funds	\$ 4,660,751	S&P AAAM	47 - 48 days
<u>Total investments</u>	<u>\$ 4,660,751</u>		

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

Custodial credit risk – For an investment, custodial credit risk is the risk that the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. At September 30, 2013, none of the investments listed above are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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

NOTE 4 – 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 (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

Durbin Crossing Community Development District

Notes to Financial Statements

NOTE 5 – RISK MANAGEMENT

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

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
<i>Capital assets being depreciated</i>				
Infrastructure	\$ 11,197,389	\$ 13,296	\$ -	\$ 11,210,685
Total capital assets, being depreciated	11,197,389	13,296	-	11,210,685
<i>Less accumulated depreciation for:</i>				
Infrastructure	(1,681,123)	(374,105)	-	(2,055,228)
Total accumulated depreciation	(1,681,123)	(374,105)	-	(2,055,228)
Total capital assets, being depreciated, net	9,516,266	(360,809)	-	9,155,457
Governmental activities capital assets, net	\$ 9,516,266	\$ (360,809)	\$ -	\$ 9,155,457

Depreciation expense of \$374,105 was allocated to maintenance and operations on the accompanying Statement of Activities.

NOTE 7 – BONDS PAYABLE

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

\$54,995,000 Special Assessment Revenue Bonds, Series 2005A (the "Series 2005A Bonds"), \$8,735,000 Special Assessment Bonds, Series 2005B-1 Bonds (the "Series 2005B-1 Bonds"), and \$14,590,000 Special Assessment Bonds, Series 2005 B-2 (the "Series 2005B-2 Bonds," together with the Series 2005A Bonds and Series 2005B-1 Bonds, the "Series 2005 Bonds") with fixed interest rates of 5.500%, 4.875%, and 4.875%, respectively. Interest is paid semiannually on each May 1 and November 1. Principal payments on the Series 2005A Bonds commenced on May 1, 2008 and are paid serially through May 1, 2037. The Series 2005B-1 bonds were paid in full on November 1, 2010. Outstanding Series 2005B-2 Bonds in the principal amount of \$420,000 were due in full on November 1, 2010. However, in October 2010, the District entered into a modification agreement with the Trustee, among others, extending maturity on the Series 2005B-2 Bonds to November 1, 2015, and, commencing on November 1, 2010, increasing the interest rate to 6.83%.

Durbin Crossing Community Development District

Notes to Financial Statements

NOTE 7 – BONDS PAYABLE (CONTINUED)

\$11,365,000 of Special Assessment Bonds, Series 2006-1 with a fixed interest rate of 5.25%. Interest is paid semiannually on each May 1 and November 1. Principal is due in full on November 1, 2015.

The District did not make the May 2013 debt service interest payment on the Series 2006-1 bonds. As a result, the District has recorded a debt service obligation of \$163,013 in the accompanying Balance Sheet – Governmental Funds. Subsequent to year end, the District also failed to make its November 2013 debt service interest payment on the Series 2006-1 bonds.

The Bond Indentures require that the District maintain adequate funds in the reserve accounts to meet the debt service reserve requirements as defined in the Indentures. The requirement for the Series 2005 B-2 Bonds has been met for the fiscal year ended September 30, 2013. The requirements for the Series 2005A and Series 2006-1 bonds have not been met for the fiscal year ended September 30, 2013. The District utilized Series 2005A reserve funds to make a portion of November 2010 and 2011 debt service interest payment. The District utilized 2006-1 reserve funds to pay for trustee fees and bond counsel. The reserve funds have not been replenished as of the date of this report.

The Bond Indentures have certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedure 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. Other than the items mentioned above, the District is in compliance with the requirements of the Bond Indentures for all series.

At September 30, 2013, the scheduled debt service requirements on long-term debt were as follows:

<i>Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2014	\$ 995,000	\$ 2,891,045	\$ 3,886,045
2015	1,010,000	2,837,154	3,847,154
2016	7,330,000	2,614,277	9,944,277
2017	1,130,000	2,388,100	3,518,100
2018	1,195,000	2,325,950	3,520,950
2019 - 2023	7,050,000	10,568,250	17,618,250
2024 - 2028	9,290,000	8,396,575	17,686,575
2029 - 2033	12,235,000	5,535,750	17,770,750
2034 - 2037	12,520,000	1,769,075	14,289,075
	\$ 52,755,000	\$ 39,326,176	\$ 92,081,176

On September 30, 2013, the Series 2005B-2 bonds were selected for partial redemption in the amount of \$40,000 due on November 1, 2013. The partial redemption amount is included in the current principal due for fiscal year 2014.

Durbin Crossing Community Development District

Notes to Financial Statements

NOTE 7 – BONDS PAYABLE (CONTINUED)

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2005 A	\$ 47,575,000	\$ -	\$ 1,120,000	\$ 46,455,000	\$ 955,000
Series 2005 B-2	1,595,000	-	1,175,000	420,000	40,000
Series 2006-1	6,880,000	-	1,000,000	5,880,000	-
	<u>\$ 56,050,000</u>	<u>\$ -</u>	<u>\$ 3,295,000</u>	<u>\$ 52,755,000</u>	<u>\$ 995,000</u>

NOTE 8 – CONCENTRATION

A significant portion of the District's future activity is dependent upon the continued involvement of the Developers, the Master Developer and Durbin Crossing North, LLC, the loss of which could have a material adverse effect on the District's operations.

NOTE 9 – INTERFUND ACTIVITY

During the year ended September 30, 2013, the District transferred \$113,065 from the General Fund to the Capital Projects Fund for the budgeted capital reserves. This amount plus an additional \$22,000 was transferred back from the Capital Projects Fund to the General Fund to help fund the current year operating deficit.

At September 30, 2013, the Capital Projects Fund owed the General Fund \$113,065. The outstanding balance results primarily from the lag time between the dates that certain transfers were made in the accounting records and the dates payments between funds are made.

NOTE 10 – RELATED PARTY TRANSACTIONS

The District, with the consent of the bondholders, entered into a forbearance agreement with one of the Developers, Orchard Jax, LLC, regarding assessments on two parcels within the District boundaries. In accordance with the forbearance agreement, the Series 2005A assessments allocated to the forbearance property shall be forborne until the earlier of (i) the occurrence of an Event of Default; (ii) transfer of any portion of the Forbearance Property to any entity other than a bona fide third party commercial builder or a retail purchaser; (iii) the occurrence of a transfer, issuance or creation of a stock, partnership interest, limited liability company membership interest or other ownership interest; or (iv) October 1, 2015 (Forbearance Termination Date). Beginning on November 1, 2015, Orchard Park shall make four equal, annual payments of the total principal portion of Series 2005A Assessments that would have originally been due on May 1, 2014 and 2015.

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Series 2006-1 and O&M Assessments allocated to the Forbearance Property shall continue to be certified for collection directly billed by the District and paid by Orchard Park on or before the due date established in the resolution certifying their collection. However, Orchard Park shall pay O&M assessments for the District's fiscal year 2014 no later than October 15, 2013.

The District directly assessed the Developers \$2,031,915 for operations and maintenance and debt service costs on undeveloped property. The Developers were also assessed approximately \$1 million for operations and maintenance and debt service costs on developed property through the local tax collector.

NOTE 11 – CONTINGENCIES

DOA Properties IX ("DOA"), successor landowner to GMAC Model Home Finance, owns property within the District with delinquent assessments. The District is unsure regarding the extent and timing of collecting these delinquent assessments and, accordingly, has established an allowance for doubtful accounts totaling \$926,680. On November 22, 2010, the District filed a foreclosure complaint, and on February 16, 2011, the District obtained a final judgment of foreclosure sale to take place on March 17, 2011. At the scheduled foreclosure sale, a third-party posted a bid of \$100,000 but failed to remit the required deposit when due. The District attempted to negotiate an agreement with the Trustee and a holder of tax certificate on the lands which would govern future foreclosure sale and the distribution of any sale proceeds, which was unsuccessful. The foreclosure sale has not been reset, and the tax certificate holder has sued the District and others. On August 20, 2012, a stay order was entered as a result of the tax certificate holder filing for Chapter 11 bankruptcy. Pursuant to the stay order, the Clerk of Court has closed the case pending completion of the bankruptcy and lifting of the bankruptcy stay. Given that the amount of governmental liens on the DOA property exceeds its value, the District is currently in negotiation with debtors' counsel regarding abandonment of the DOA property from the bankruptcy litigation.

Following the entry of the bankruptcy stay, the tax certificate holder filed a second lawsuit solely against the District. In the case, the tax certificate holder is suing the District for unjust enrichment and for a declaratory judgment. The tax certificate holder seeks the return of the monies it paid for its tax certificate or a declaration that its tax certificate is superior in right to any interest of the District. The tax certificate holder further seeks a declaration that the District's foreclosure judgment has merged into its assessment liens and that the issuance of a certificate of title following a foreclosure sale in the District's foreclosure will not affect the tax certificate held. In November 2012, the District moved to dismiss the new complaint. In April of 2013, the two tax certificate holder cases were consolidated.

On October 2, 2013, the District entered into a settlement agreement with the tax certificate holder, whereby the tax certificate holder agrees to transfer all rights, title, and interest it has to the tax certificate to the trustee or the trustee's designee in exchange for payment of the total sum of \$776,000. Upon the disbursement and the dismissal of actions, the parties shall be deemed to have released and discharged each other or and from any and all claims, cross claims, causes of action, costs, fees, or expenses arising out of or related to any matters alleged in the case or which

NOTE 11 – CONTINGENCIES (CONTIUED)

could have been raised in the case. However, this agreement does not release and does not affect any claims, rights or duties that the tax collector or any other party may have with respect to the other outstanding tax certificates on the DOA property.

On October 9, 2013, the District, trustee, and Durbin Crossing CDD Holdings, Inc. entered into a Tri-party Agreement at the direction of the Bondholders, whereby Durbin Crossing CDD Holdings, Inc. (the “Company”) will acquire, own, maintain, sell and/or dispose of the property for the benefit of the District and the Bondholders. The property will continue to be subject to the District’s imposition of annual operations and maintenance assessments. In the event the trustee fails to provide funding to the Company for the payment of operation and maintenance assessments, the District may take all actions necessary to collect any such delinquent operations and maintenance assessments, including the foreclosure and subsequent sale of the property for the amount of unpaid operations and maintenance assessments. The debt assessments shall not be certified for collection or otherwise billed to the Company but shall be held in abeyance and continue to constitute a lien. The debt assessments and any acceleration thereof shall be held in abeyance until such time as the District receives notice from the Trustee to the contrary.

NOTE 12 – PRIOR PERIOD RESTATEMENT

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement established standards for reporting deferred outflows of resources, deferred inflows of resources, and net position and creates a new format for the statement of financial position that requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

The District made the decision to implement these standards effective October 1, 2012.

As a result of implementation, government-wide net position at the beginning of the year ended September 30, 2013 has been restated. GASB statement No. 65 requires, among other things, that bond issue costs be shown as current-period outflows of resources (expenses) and not capitalized. Accordingly, prior year deferred charges have been removed from the current year financial statements. The restatement resulted in a decrease in the beginning net position of \$1,070,005.

Required Supplemental Information
(Other Than MD&A)

Durbin Crossing Community Development District

Budget to Actual Comparison Schedule - General Fund

Year ended September 30,

2013

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Assessments	\$ 1,416,083	\$ 1,334,906	\$ (81,177)
Interest and other revenues	6,300	9,547	3,247
Total revenues	1,422,383	1,344,453	(77,930)
Expenditures			
General government	168,109	228,642	(60,533)
Maintenance and operations	828,007	713,932	114,075
Amenity center	426,267	428,562	(2,295)
Total expenditures	1,422,383	1,371,136	51,247
Excess (deficit) of revenues over expenditures	\$ -	\$ (26,683)	\$ (26,683)

**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
Durbin Crossing Community Development District
St. Johns County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Durbin Crossing Community Development District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described below.

- IC2011-01: The District is not in compliance with provisions of its Debt Service Bond indenture relating to maintaining adequate funds in debt service reserve account and making its semi-annual debt service interest payments.

The District's response to the findings identified in our audit is described below. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

- *The District is in the process of replenishing the reserve account through the foreclosure process.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Miramar Beach, Florida
April 7, 2014



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

MANAGEMENT LETTER

To the Board of Supervisors
Durbin Crossing Community Development District
St. Johns County, Florida

We have audited the financial statements of Durbin Crossing Community Development District ("District") as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated April 7, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated April 7, 2014, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken but have not yet been successful in addressing the findings made in the preceding annual financial audit report. This finding was also in the second preceding fiscal year financial audit report.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District met the condition described in Section 218.503(1)(a), Florida Statutes. The District was unable to make its May 2013 debt service interest payment on the Series 2006-1 bonds. Subsequent to year, the District also failed to make its November 2013 debt service interest payment on the Series 2006-1 bonds. The unpaid debt service amounts relate to one specific parcel of land on which the District has delinquent assessments. See the District's response on page 27.

Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Our management letter is intended solely for the information and use of Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Miramar Beach, Florida
April 7, 2014