

North Springs Improvement District

ANNUAL FINANCIAL REPORT

September 30, 2009

North Springs Improvement District
ANNUAL FINANCIAL REPORT
Fiscal Year Ended September 30, 2009

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Report of Independent Auditors

To the Board of Supervisors
North Springs Improvement District
Coral Springs, Florida

We have audited the accompanying basic financial statements of North Springs Improvement District (the "District") as of and for the year ended September 30, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate remaining fund information and each major fund of the District as of September 30, 2009, the respective changes in financial position, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 18, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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To the Board of Supervisors
North Springs Improvement District

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The combining and individual fund statements described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

May 18, 2010

**North Springs Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2009**

Management's discussion and analysis of North Springs Improvement District (the District) financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE 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 financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The Government-wide financial statements are the **statement of net assets** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities and the change in net assets. Governmental activities are primarily supported by assessments. Business-type activities are supported by charges to the users of those activities, such as water and sewer service charges.

The **statement of net assets** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net assets. Net assets are reported in three categories; 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Assets, liabilities, and net assets are reported for all Governmental activities separate from the assets, liabilities, and net assets of business-type activities.

The **statement of activities** presents information on all revenues and expenses of the District and the change in net assets. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities or business-type activities. Governmental activities of the District include general government and physical environment. Business-type activities financed by user charges include water and sewer services.

Fund financial statements present financial information for governmental funds and the enterprise fund. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources. The enterprise fund financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources.

**North Springs Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual**, is provided for the District's General Fund. For the enterprise fund, a **statement of net assets**, a **statement of revenues, expenses, and changes in fund net assets**; and a **statement of cash flows** are presented. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The government-wide financial statements provide an overall picture of the District's financial standing, split between Governmental Activities and Business-type Activities. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including buildings, land, roads, bridges, and traffic signals are reported in the **statement of net assets**. All liabilities, including principal outstanding on bonds, and future employee benefits obligated but not paid by the District, are included. The **statement of activities** includes depreciation on all long lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District and a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, long term debt, and pension plans are some of the items included in the *notes to the financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2009.

- ◆ The District's total assets exceeded total liabilities by \$114,947,883 (net assets). Unrestricted net assets for Governmental Activities were \$1,795,386. Business-type activities net assets were \$42,679,453.

**North Springs Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Highlights

- ◆ Governmental activities revenues totaled \$8,908,849 while governmental activities expenses totaled \$8,351,545. Business-type revenues totaled \$10,756,720 while business-type expenses totaled \$9,485,324.

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net assets of the District. It is not intended to be a complete presentation of government-wide financial activity.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current Assets	\$ 2,228,883	\$ 1,814,029	\$ 14,682,719	\$ 16,339,189	\$ 16,911,602	\$ 18,153,218
Restricted Assets	22,393,698	25,976,645	5,923,416	6,630,574	28,317,114	32,607,219
Non Current Assets	1,357,731	1,419,824	977,512	1,051,202	2,335,243	2,471,026
Capital Assets, net	<u>108,697,410</u>	<u>103,070,169</u>	<u>50,795,534</u>	<u>52,141,879</u>	<u>159,492,944</u>	<u>155,212,048</u>
Total Assets	<u>134,677,722</u>	<u>132,280,667</u>	<u>72,379,181</u>	<u>76,162,844</u>	<u>207,056,903</u>	<u>208,443,511</u>
Current Liabilities	7,181,193	6,482,644	10,200,503	13,287,531	17,381,696	19,770,175
Non-Current Liabilities	<u>55,228,099</u>	<u>59,227,163</u>	<u>19,499,225</u>	<u>21,467,256</u>	<u>74,727,324</u>	<u>80,694,419</u>
Total Liabilities	<u>62,409,292</u>	<u>65,709,807</u>	<u>29,699,728</u>	<u>34,754,787</u>	<u>92,109,020</u>	<u>100,464,594</u>
Net Assets						
Investment in capital assets, net related debt	66,537,774	65,921,847	35,168,237	34,668,431	101,706,011	100,590,278
Restricted	3,935,270	321,635	1,424,809	1,864,514	5,360,079	2,186,149
Unrestricted	<u>1,795,386</u>	<u>327,378</u>	<u>6,086,407</u>	<u>4,875,112</u>	<u>7,881,793</u>	<u>5,202,490</u>
Total Net Assets	<u>\$ 72,268,430</u>	<u>\$ 66,570,860</u>	<u>\$ 42,679,453</u>	<u>\$ 41,408,057</u>	<u>\$ 114,947,883</u>	<u>\$ 107,978,917</u>

The increase in capital assets and net assets for governmental activities is due to improvements in Heron Bay and in the Supplement 3 Area.

The decrease in Non-current liabilities is related to principal payments during the year.

**North Springs Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net assets of the District and is presented at the government-wide level for comparison purposes. It is not intended to be a complete presentation of District-wide financial activity.

	Financial Activity					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<u>Program Revenues</u>						
Charges for services	\$ 8,111,810	\$ 8,862,595	\$ 7,757,525	\$ 7,540,765	\$ 15,869,335	\$ 16,403,360
Operating grants	667,970	-	-	9,421	667,970	9,421
<u>General Revenues</u>						
Investment earnings	121,752	934,967	23,007	350,261	144,759	1,285,228
Gain on debt extinguishment	-	109,375	-	-	-	109,375
Miscellaneous	7,317	59,447	1,166,133	127,955	1,173,450	187,402
Developer contributions	-	-	1,810,055	-	1,810,055	-
Total Revenues	<u>\$ 8,908,849</u>	<u>\$ 9,966,384</u>	<u>\$ 10,756,720</u>	<u>\$ 8,028,402</u>	<u>\$ 19,665,569</u>	<u>\$ 17,994,786</u>
<u>Expenses</u>						
General government	\$ 1,052,545	\$ 1,085,620	\$ -	\$ -	\$ 1,052,545	\$ 1,085,620
Physical environment	3,713,788	3,421,597	-	-	3,713,788	3,421,597
Interest on long-term debt	3,585,212	3,769,473	-	-	3,585,212	3,769,473
Water and sewer	-	-	9,485,324	8,572,965	9,485,324	8,572,965
Total Expenses	<u>8,351,545</u>	<u>8,276,690</u>	<u>9,485,324</u>	<u>8,572,965</u>	<u>17,836,869</u>	<u>16,849,655</u>
Change in Net Assets	557,304	1,689,694	1,271,396	(544,563)	1,828,700	1,145,131
Net Assets - October 1, 2008	71,711,126	70,021,432	41,408,057	41,952,620	113,119,183	111,974,052
Net Assets - September 30, 2009	<u>\$ 72,268,430</u>	<u>\$ 71,711,126</u>	<u>\$ 42,679,453</u>	<u>\$ 41,408,057</u>	<u>\$ 114,947,883</u>	<u>\$ 113,119,183</u>

Governmental activities increased the District's net assets by \$557,304 due to a decrease in certain operating expenses.

Business-type activities increased the District's net assets by \$1,271,396 because of the developer contribution.

The decrease in investment earnings is the result of lower investment balances and lower interest rates.

The decrease in charges for services is due to decreases in special assessments to pay for debt service.

**North Springs Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity as of September 30, 2009.

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 12,121,112	\$ 181,585	\$ 12,302,697
Buildings	2,967,664	9,751	2,977,415
Infrastructure	126,993,618	70,318,025	197,311,643
Equipment	177,181	1,689,635	1,866,816
Construction in Progress	320,897	61,291	382,188
Accumulated depreciation	<u>(33,883,062)</u>	<u>(21,464,753)</u>	<u>(55,347,815)</u>
Total Capital Assets (Net)	<u>\$ 108,697,410</u>	<u>\$ 50,795,534</u>	<u>\$ 159,492,944</u>

Governmental activities had current year additions of \$3,140,535 and depreciation expense of \$2,817,432.

Business-Type activities had current year additions of \$548,014 and depreciation expense of \$1,894,359.

General Fund Budgetary Highlights

The budget exceeded expenditures for the year because of lower general government expenditures than were anticipated.

There were no amendments to the September 30, 2009 budget.

Debt Management

Governmental Activities debt includes the following:

- ◆ In August 1990, the District issued \$955,000 Series 1990A Water Management Bonds. The proceeds of these bonds were used to fund the costs of construction additions to the District's water management and control system consisting of Phase I for Supplement No. 1. As of September 30, 2009, the outstanding balance was \$95,000.

**North Springs Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- ◆ In November 1997, the District issued \$7,945,000 Series 1997 Special Assessment Bonds (Heron Bay Project) to finance recreation facilities located within the District. As of September 30, 2009, the outstanding balance was \$5,300,000.
- ◆ In December 1998, the District issued \$13,490,000 Series 1998 Water Management Bonds. The proceeds of these bonds were used to fund the costs of construction additions to the District's water management and control system for Supplement No. 2. As of September 30, 2009, the outstanding balance was \$9,625,000.
- ◆ In December 2005, the District issued \$2,925,000 Series 2005A Water Management Refunding Bond. The proceeds of this bond were used to refund and defease the water management bonds, series 1994B. As of September 30, 2009, the outstanding balance was \$2,535,000.
- ◆ In December 2005, the District issued \$6,365,000 Series 2005B Water Management Bond. The proceeds of this bond were used to finance and refinance the acquisition, construction, and installation of the water management facilities and related improvements not financed by the 1994B bonds that are needed to complete the system. As of September 30, 2009, the outstanding balance was \$6,240,000.
- ◆ In December 2005, the District issued \$20,955,000 Series 2005A-1 Special Assessment Bond. The proceeds of this bond were used to finance and refinance the cost of the series 2005-1 project. As of September 30, 2009, the outstanding balance was \$18,970,000.
- ◆ In December 2005, the District issued \$4,730,000 Series 2005A-2 Special Assessment Bond. The proceeds of this bond were used to finance and refinance the cost of the series 2005-2 project. As of September 30, 2009, the outstanding balance was \$4,285,000.
- ◆ In December 2005, the District issued \$4,190,000 Series 2005B-1 Special Assessment Bond. The proceeds of this bond were used to finance and refinance the cost of the series 2005-1 project. As of September 30, 2009, the outstanding balance was \$1,570,000.
- ◆ In December 2005, the District issued \$915,000 Series 2005B-2 Special Assessment Bond. The proceeds of this bond were used to finance and refinance the cost of the series 2005-2 project. As of September 30, 2009, the outstanding balance was \$465,000.
- ◆ In October 2006, the District issued \$6,930,000 series 2006A Special Assessment Bond. The proceeds of this bond were used to finance and refinance a portion of the cost of the series 2006 project. As of September 30, 2009, the outstanding balance was \$6,495,000.

**North Springs Improvement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- ◆ In October 2006, the District issued \$2,165,000 series 2006B Special Assessment Bond. The proceeds of this bond were used to finance and refinance a portion of the cost of the series 2006 project. As of September 30, 2009, the outstanding balance was \$1,795,000.
- ◆ In May 2009, the District issued \$1,575,000 Series 2009 Special Assessment Refunding Bonds. The 2009 Bonds were used to defease the 1997A Parkland Isle Series Bonds. As of September 30, 2009, the outstanding balance was the total amount issued of \$1,575,000.
- ◆

Business Activities Debt includes the following:

- ◆ In December 1994, the District issued \$8,550,000 Series 1994A Water and Sewer General Obligation and Revenue Refunding Bonds, and \$4,245,000 Series 1994B Water and Sewer General Obligation and Revenue Funding Bonds. The 1994A Bonds were used to defease a portion of 1998 Series Bonds. The 1994B Bonds were used to defease a portion of the 1991 Series Bonds. As of September 30, 2009, the outstanding balance was \$1,010,000 and \$2,590,000 respectively.
- ◆ In December 1998, the District issued \$17,785,000 Series 1998 Water and Sewer Revenue Bonds. These bonds were used to finance the acquisition, construction and installation of certain additions and improvements to the District's water and sewer system. As of September 30, 2009, the outstanding balance was the total amount issued \$17,785,000.

Economic Factors and Next Year's Budget

North Springs Improvement District is not sure if current economic factors will have any significant effect on the financial position or results of operations of the District in fiscal year 2010.

Request for Information

The financial report is designed to provide a general overview of North Springs Improvement District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District Manager, North Springs Improvement District, 10300 NW 11th Manor, Coral Springs, Florida 33071.

North Springs Improvement District
STATEMENT OF NET ASSETS
September 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and investments	\$ 2,411,661	\$ 11,765,689	\$ 14,177,350
Cash and investments - restricted for customer deposits	-	582,629	582,629
Assessments receivable	227,155	-	227,155
Prepaid expenses	18,937	15,915	34,852
Other receivables	-	1,889,616	1,889,616
Internal balances	(428,870)	428,870	-
Total Current Assets	<u>2,228,883</u>	<u>14,682,719</u>	<u>16,911,602</u>
Non-Current Assets			
Restricted assets			
Cash and investments	22,393,698	5,916,188	28,309,886
Interest receivable - debt service	-	7,228	7,228
Bond issuance costs, net	1,357,731	977,512	2,335,243
Capital assets not being depreciated			
Land and improvements	12,121,112	181,585	12,302,697
Construction in progress	320,897	61,291	382,188
Capital assets being depreciated			
Buildings and improvements	2,967,664	9,751	2,977,415
Infrastructure	126,993,618	70,318,025	197,311,643
Equipment	177,181	1,689,635	1,866,816
Less: accumulated depreciation	(33,883,062)	(21,464,753)	(55,347,815)
Total Non-Current Assets	<u>132,448,839</u>	<u>57,696,462</u>	<u>190,145,301</u>
Total Assets	<u>134,677,722</u>	<u>72,379,181</u>	<u>207,056,903</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	161,671	597,382	759,053
Due to developer	455,254	6,457,788	6,913,042
Contracts payable	219,056	-	219,056
Customer deposits, payable from restricted assets	-	582,629	582,629
Accrued interest	2,795,212	555,567	3,350,779
Bonds and capital leases	3,550,000	1,995,000	5,545,000
Accrued compensated absences	-	12,137	12,137
Total Current Liabilities	<u>7,181,193</u>	<u>10,200,503</u>	<u>17,381,696</u>
Non-Current Liabilities			
Bonds and capital leases	55,188,938	19,390,000	74,578,938
Accrued compensated absences	39,161	109,225	148,386
Total Non-Current Liabilities	<u>55,228,099</u>	<u>19,499,225</u>	<u>74,727,324</u>
Total Liabilities	<u>62,409,292</u>	<u>29,699,728</u>	<u>92,109,020</u>
NET ASSETS			
Invested in capital assets, net of related debt	66,537,774	35,168,237	101,706,011
Restricted for			
Renewal and replacement	-	507,354	507,354
Debt service	303,711	917,455	1,221,166
Capital projects	3,631,559	-	3,631,559
Unrestricted	1,795,386	6,086,407	7,881,793
Total Net Assets	<u>\$ 72,268,430</u>	<u>\$ 42,679,453</u>	<u>\$ 114,947,883</u>

See accompanying notes.

North Springs Improvement District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Donations	Governmental Activities	Business-type Activities	Total
Governmental Activities						
General government	\$ 1,052,545	\$ 2,255,779	\$ 667,970	\$ 1,871,204	\$ -	\$ 1,871,204
Physical environment	3,713,788	2,979,594	-	(734,194)	-	(734,194)
Interest on long-term debt	3,585,212	2,876,437	-	(708,775)	-	(708,775)
Total Governmental Activities	<u>8,351,545</u>	<u>8,111,810</u>	<u>667,970</u>	<u>428,235</u>	<u>-</u>	<u>428,235</u>
Business-type activities						
Water and sewer	<u>9,485,324</u>	<u>7,757,525</u>	<u>-</u>	<u>-</u>	<u>(1,727,799)</u>	<u>(1,727,799)</u>
Total Primary Government	<u>\$ 17,836,869</u>	<u>\$ 15,869,335</u>	<u>\$ 667,970</u>	<u>428,235</u>	<u>(1,727,799)</u>	<u>(1,299,564)</u>
General Revenues						
Investment earnings				121,752	23,007	144,759
Miscellaneous				7,317	1,166,133	1,173,450
Developer contributions				-	1,810,055	1,810,055
Total General Revenues				<u>129,069</u>	<u>2,999,195</u>	<u>1,318,209</u>
Change in Net Assets				557,304	1,271,396	18,645
Net Assets - October 1, 2008				<u>71,711,126</u>	<u>41,408,057</u>	<u>113,119,183</u>
Net Assets - September 30, 2009				<u>\$ 72,268,430</u>	<u>\$ 42,679,453</u>	<u>\$ 114,947,883</u>

See accompanying notes.

North Springs Improvement District
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2009

ASSETS	<u>General</u>	<u>203 Debt Service</u>	<u>207 Debt Service</u>	<u>307 Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 2,386,421	\$ -	\$ -	\$ -	\$ -	\$ 2,386,421
Investments	25,240	-	-	-	-	25,240
Assessments receivable	82,264	156	14,928	-	129,807	227,155
Prepaid expenses	18,937	-	-	-	-	18,937
Due from other funds	10,453	-	1,313	-	41,216	52,982
Restricted assets:						
Investments, at fair value	-	-	2,609,108	10,315,209	9,469,381	22,393,698
Total Assets	<u>\$ 2,523,315</u>	<u>\$ 156</u>	<u>\$ 2,625,349</u>	<u>\$ 10,315,209</u>	<u>\$ 9,640,404</u>	<u>\$ 25,104,433</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenses	\$ 158,977	\$ -	\$ -	\$ -	\$ 2,694	\$ 161,671
Due to developer	45,737	-	-	-	409,517	455,254
Due to other funds	428,870	-	-	-	52,982	481,852
Contracts payable	55,184	-	-	75,851	88,021	219,056
Total Liabilities	688,768	-	-	75,851	553,214	1,317,833
Fund Balances						
Reserved for debt service	-	156	2,625,349	-	5,249,515	7,875,020
Reserved for capital projects	-	-	-	10,239,358	3,837,675	14,077,033
Unreserved and undesignated	1,834,547	-	-	-	-	1,834,547
Total Fund Balances	1,834,547	156	2,625,349	10,239,358	9,087,190	23,786,600
Total Liabilities and Fund Balances	<u>\$ 2,523,315</u>	<u>\$ 156</u>	<u>\$ 2,625,349</u>	<u>\$ 10,315,209</u>	<u>\$ 9,640,404</u>	<u>\$ 25,104,433</u>

See accompanying notes.

North Springs Improvement District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
September 30, 2009

Total Governmental Fund Balances	\$ 23,786,600
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets not being depreciated (land and improvements (\$12,121,112), and construction in progress (\$320,897)) used in governmental activities are not financial resources and; therefore, are not reported in the funds.	12,442,009
Capital assets being depreciated (infrastructure (\$126,993,618), buildings and improvements (\$2,967,664), equipment (\$177,181), net of accumulated depreciation (\$33,883,062)) used in governmental activities are not financial resources and; therefore, are not reported in the funds.	96,255,401
Bond issuance costs (\$2,123,849) less accumulated amortization (\$766,118) used in governmental activities are not financial resources and; therefore, are not reported in the funds.	1,357,731
Long-term liabilities, including bonds payable (\$58,950,000), and accrued compensated absences (\$39,161), less net bond discounts (\$84,467) and net deferred amounts on refunding (\$126,595) are not due and payable in the current period and; therefore, are not reported in the funds.	(58,778,099)
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported in the funds.	<u>(2,795,212)</u>
Net Assets of Governmental Activities	<u><u>\$ 72,268,430</u></u>

See accompanying notes.

North Springs Improvement District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2009

	<u>General</u>	<u>203 Debt Service</u>	<u>207 Debt Service</u>	<u>307 Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Special assessments	\$2,255,779	\$ 248,433	\$ 2,028,182	\$ -	\$ 3,579,416	\$ 8,111,810
Developer contributions	667,970	-	-	-	-	667,970
Investment earnings	25,312	1,338	9,170	49,791	36,141	121,752
Miscellaneous revenues	7,317	-	-	-	-	7,317
Total Revenues	<u>2,956,378</u>	<u>249,771</u>	<u>2,037,352</u>	<u>49,791</u>	<u>3,615,557</u>	<u>8,908,849</u>
Expenditures						
Current						
General government	1,052,545	-	-	-	-	1,052,545
Physical environment	898,162	-	-	-	-	898,162
Capital outlay	21,215	-	-	3,071,972	211,220	3,304,407
Debt service						
Principal	-	-	900,000	-	1,535,000	2,435,000
Interest	-	130,200	1,161,722	-	2,110,749	3,402,671
Other	-	11,765	30,492	-	192,799	235,056
Total Expenditures	<u>1,971,922</u>	<u>141,965</u>	<u>2,092,214</u>	<u>3,071,972</u>	<u>4,049,768</u>	<u>11,327,841</u>
Net change in fund balances	984,456	107,806	(54,862)	(3,022,181)	(434,211)	(2,418,992)
Other financing sources (uses)						
Operating transfers in	-	28,970	-	9,509	55,015	93,494
Operating transfers out	(10,295)	(52,487)	(9,509)	-	(21,203)	(93,494)
Payment to escrow agent	-	(1,860,000)	-	-	-	(1,860,000)
Proceeds from long-term debt	-	1,437,469	-	-	137,531	1,575,000
Total Other Financing Sources (Uses)	<u>(10,295)</u>	<u>(446,048)</u>	<u>(9,509)</u>	<u>9,509</u>	<u>171,343</u>	<u>(285,000)</u>
Net change in fund balances	974,161	(338,242)	(64,371)	(3,012,672)	(262,868)	(2,703,992)
Fund Balances - October 1, 2008	<u>860,386</u>	<u>338,398</u>	<u>2,689,720</u>	<u>13,252,030</u>	<u>9,350,058</u>	<u>26,490,592</u>
Fund Balances - September 30, 2009	<u>\$1,834,547</u>	<u>\$ 156</u>	<u>\$ 2,625,349</u>	<u>\$ 10,239,358</u>	<u>\$ 9,087,190</u>	<u>\$ 23,786,600</u>

See accompanying notes.

North Springs Improvement District
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

Net Changes in Fund Balances - Total Governmental Funds \$ (2,703,992)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$3,304,407) exceeded depreciation (\$2,817,432) in the current period. 486,975

Governmental funds report bond issuance costs and bond discounts as expenditures. However, in the statement of activities, the cost of these assets are allocated based on an effective interest rate as amortization expense. This is the amount of current year amortization of bond issuance costs, deferred amount on refunding and bond discounts (\$176,835) exceeded current year bond issuance costs(\$107,000). (69,835)

Repayments of bond principal (\$2,435,000) and payments to escrow(\$1,860,000) are expenditures in governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Assets. 4,295,000

Bond proceeds are reflected as an other financing source in the funds statements but increase long-term liabilities in the Statement of Net Assets (1,575,000)

Compensated absences reported in Statement of Activities, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. This is the net amount between the prior year and current year accruals. 1,806

In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the decrease in accrued interest from the prior year to the current year. 122,350

Change in Net Assets of Governmental Activities \$ 557,304

See accompanying notes.

North Springs Improvement District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 2,202,496	\$ 2,202,496	\$ 2,255,779	\$ 53,283
Developer contributions	-	-	667,970	667,970
Investment earnings	21,000	21,000	25,312	4,312
Other revenues	5,000	5,000	7,317	2,317
	<u>2,228,496</u>	<u>2,228,496</u>	<u>2,956,378</u>	<u>727,882</u>
Total Revenues				
Expenditures				
Current				
General government	999,908	999,908	1,052,545	(52,637)
Physical environment	1,172,298	1,172,298	898,162	274,136
Capital outlay	74,200	74,200	21,215	52,985
Total Expenditures	<u>2,246,406</u>	<u>2,246,406</u>	<u>1,971,922</u>	<u>274,484</u>
Net change in fund balances	(17,910)	(17,910)	984,456	1,002,366
Other financing sources (uses)				
Operating transfers out	<u> </u>	<u> </u>	<u>(10,295)</u>	<u>(10,295)</u>
Net change in fund balances	(17,910)	(17,910)	974,161	992,071
Fund Balances - October 1, 2008	<u>17,910</u>	<u>17,910</u>	<u>860,386</u>	<u>842,476</u>
Fund Balances - September 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,834,547</u>	<u>\$ 1,834,547</u>

See accompanying notes.

North Springs Improvement District
STATEMENT OF NET ASSETS - WATER & SEWER FUND
September 30, 2009

ASSETS

Current Assets

Cash and investments	\$ 11,765,689
Cash and investments restricted for customer deposits	582,629
Accounts receivable	902,943
Prepaid expenses	15,915
Due from other funds	428,870
Due from other government	986,673
Total Current Assets	14,682,719

Non-Current Assets

Restricted assets	
Investments	5,916,188
Interest receivable	7,228
Bond issuance costs, net	977,512
Construction in progress	61,291
Land and improvements	181,585
Buildings and improvements	9,751
Infrastructure	70,318,025
Equipment	1,689,635
Less: Accumulated depreciation	(21,464,753)
Total Non-Current Assets	57,696,462
Total Assets	\$ 72,379,181

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	\$ 597,382
Due to developer	6,457,788
Customer deposits payable from restricted assets	582,629
Accrued interest payable	555,567
Accrued compensated absences	12,137
Bonds payable	1,995,000
Total Current Liabilities	10,200,503

Non-Current Liabilities

Accrued compensated absences	109,225
Bonds payable	19,390,000
Total Non-Current Liabilities	19,499,225
Total Liabilities	29,699,728

NET ASSETS

Invested in capital assets, net of related debt	35,168,237
Restricted for renewal and replacement	507,354
Restricted for debt service	917,455
Unrestricted	6,086,407
Total Net Assets	\$ 42,679,453

See accompanying notes.

North Springs Improvement District
STATEMENT OF ACTIVITY - WATER & SEWER FUND
September 30, 2009

Operating Revenues:

Charges for services	
Water and sewer	\$ 7,534,085
Connection fees	186,629
Meter fees	36,811
Miscellaneous revenues	1,166,133
Total Operating Revenues	<u>8,923,658</u>

Operating Expenses:

General and administrative	729,260
Field operations	1,118,981
Plant operations	4,153,277
Depreciation and amortization	1,894,358
Total Operating Expenses	<u>7,895,876</u>

Operating Income 1,027,782

Non-Operating Revenues (Expenses):

Interest expense	(1,589,448)
Interest earnings	23,007
Developer contributions	1,810,055
Total Non-Operating Revenue (Expenses)	<u>243,614</u>

Change in Net Assets 1,271,396

Net Assets - October 1, 2008 41,408,057

Net Assets - September 30, 2009 \$42,679,453

See accompanying notes.

North Springs Improvement District
STATEMENT OF CASH FLOWS - WATER & SEWER FUND
September 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 8,812,057
Receipts from other sources	(986,673)
Payments to suppliers for goods and services	(10,666,671)
Payments to employees for services	2,002,963
Net Cash Used By Operating Activities	<u>(838,324)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(548,014)
Repayment of developer advances	(1,362,380)
Developer Contributions	1,810,055
Principal payments on long-term debt	(1,190,000)
Interest payments on long-term debt	(1,557,767)
Net Cash Used By Capital and Related Financing Activities	<u>(2,848,106)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on pooled cash and investments	<u>24,692</u>
Net decrease in cash and cash equivalents	(3,661,738)
Cash and Equivalents - October 1, 2008	<u>21,926,244</u>
Cash and Equivalents- September 30, 2009	<u><u>\$ 18,264,506</u></u>
 Cash and Investments Classified as Current Assets	
Cash and investments	\$ 11,765,689
Restricted - cash and investments	582,629
Non-Current Assets	
Restricted - cash and investments	<u>5,916,188</u>
Total Cash and Investments at September 30, 2009	<u><u>\$ 18,264,506</u></u>

See accompanying notes.

North Springs Improvement District
STATEMENT OF CASH FLOWS - WATER & SEWER FUND
September 30, 2009

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 1,027,782
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,894,358
Decrease in accounts receivable	(50,522)
Decrease in prepaid expenses	(11,586)
Increase in due from other funds	(251,014)
Increase in due from other governments	(986,673)
Decrease in accounts payable and accrued expenses	(2,430,126)
Decrease in customer deposits	(61,079)
Increase in compensated absences	30,536
	<hr/>
Net Cash Used by Operating Activities	<u>\$ (838,324)</u>

See accompanying notes.

North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of North Springs Improvement District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

The District was established pursuant to Chapter 71-580, Laws of Florida, as amended, and Chapter 298, Florida Statutes, in 1971. Chapter 71-580 was replaced by Chapter 2005-341, Laws of Florida, which has been amended by Chapter 2007-285, Laws of Florida. The District has expanded its boundaries to include Supplement No. 1, Supplement No. 2, Supplement No. 3, a revised Supplement No. 3 and other lands, respectively. The District was created to undertake a variety of improvements, including the reclamation and drainage of land, to establish roads and highways, to provide access thereto and to provide water and sewage facilities to promote and create favorable conditions for the development of land within the District.

The District is governed by a three-member Board of Supervisors ("the Board"), who are elected for terms of four years. Among the primary powers which the Act provides the Board may exercise is the power to own, acquire, construct, reconstruct, equip, operate, maintain, extend and improve water management systems and water and sewer systems, subject to the approval of applicable State administrative agencies.

As required by GAAP, these financial statements present the North Springs Improvement District (the primary government), as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility which includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth in Governmental Accounting Standards Board Statement Number 14, The Financial Reporting Entity, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include separate columns for the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities which normally are supported by special assessments and interest, are reported separately from business-type activities. Program revenues include charges for services and special assessments. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financial source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Governmental Funds

When both restricted and unrestricted resources are combined in a fund, qualified expenditures are considered to be paid first from restricted resources, and then from unrestricted resources. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon 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.

North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues) and decreases (expenditures) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Enterprise Funds

In the fund financial statements, the enterprise fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, enterprise funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in total net assets. The District applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with, or contradict, GASB pronouncements.

North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Enterprise Funds (Continued)

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as other financing sources.

Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

3. Basis of Presentation

a. Governmental Major Funds

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

2005 A1&B1 Debt Service Fund - The 2005 A1&B1 Debt Service Fund accounts for debt service requirements for the District's Outstanding Special Assessment Bond, Series 2005 A1&B1.

1997 A Parkland Isle Debt Service Fund - The 1997 A Debt Service Fund accounted for debt service requirements for the District's Outstanding Special Assessment Bond, Series 1997 A.

2005 A1&B1 Supplement 3 Capital Project Fund - The 2005 A1&B1 Supplement 3 Capital Project Fund accounts for construction of infrastructure improvements within the boundaries of the Supplement 3 land.

North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

b. Enterprise Major Fund

Water and Sewer Fund - The Water and Sewer Fund accounts for the operations of the water and sewer plant, which are funded by proceeds from operations of these facilities, including user fees, meter fees and connection fees.

c. Non-Current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds, due to developer and accrued compensated absences be reported in the governmental activities column in the government-wide Statement of Net Assets.

4. Assets, Liabilities, and Net Assets or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Assets or Equity (Continued)

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported as “internal balances”.

c. Restricted Assets

Certain net assets of the District are classified as restricted assets on the Statement of Net Assets because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net assets and then from unrestricted net assets.

d. Capital Assets

Capital assets, which include land, buildings, infrastructure, equipment and construction in progress, are reported in the applicable governmental or business-type activities column.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	7-39 years
Equipment	5-10 years
Meters in the field	15 years
Infrastructure	50 years

**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Assets or Equity (Continued)

e. Unamortized Bond Costs

Bond issuance costs and legal fees associated with the issuance of bonds are amortized over the life of the bonds using the effective interest method of accounting.

f. Accrued Compensated Absences

The District accrues unused portions of vacation pay in the period the fund liability is incurred. As permitted by Governmental Accounting Standards Board Statement No. 16, the vesting method is used to accrue sick leave liability. The liability is based on the sick leave accumulated at year-end by those employees who are currently eligible to receive termination payments.

Even though the District has accumulated and earmarked expendable available fund resources for these amounts, the portion not normally expected to be liquidated with expendable available financial resources is not reported as a fund liability (in accordance with Interpretation No. 6 of the Governmental Accounting Standards Board – Recognition and Measurement of Certain Liabilities and Expenditures) in the governmental fund financial statements.

g. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to the requirements of the Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget columns of the accompanying financial statements may occur.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

“Total fund balances” of the District’s governmental funds (\$23,786,600) differs from “net assets” of governmental activities (\$72,268,430) reported in the Statement of Net Assets. This difference primarily results from the long-term economic focus of the Statement of Net Assets versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below.

**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Continued)

Capital related items

When capital assets (land, buildings, infrastructure and equipment that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Assets included those capital assets among the assets of the District as a whole.

Land and improvements	\$ 12,121,112
Construction in progress	320,897
Infrastructure	126,993,618
Equipment	177,181
Building	2,967,664
Accumulated depreciation	<u>(33,883,062)</u>
Total	<u>\$ 108,697,410</u>

Bond issuance costs

When bond issuance costs (legal fees, trustee fees, and other bond related costs) are expended, the cost of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those costs as assets of the District as a whole.

Bond issuance costs	\$ 2,123,849
Accumulated amortization	<u>(766,118)</u>
Total	<u>\$ 1,357,731</u>

Long-term debt transactions

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Assets. Balances at September 30, 2009 were:

Bonds payable	\$ (58,950,000)
Accrued compensated absences	(39,161)
Less bond discounts, net	84,467
Less deferred amounts on refunding, net	<u>126,595</u>
Total	<u>\$ (58,778,099)</u>

**North Springs Improvement District
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2009**

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Continued)

Accrued interest

Accrued liabilities in the statement of net assets differ from the amount reported in governmental funds due to accrued interest on bonds.

Accrued interest	<u>\$ (2,795,212)</u>
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2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net changes in fund balances” for government funds (\$(2,703,992)) differs from the “change in net assets” for governmental activities (\$557,304) reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated as follows.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas, net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 3,304,407
Depreciation expense	<u>(2,817,432)</u>
Difference	<u>\$ 486,975</u>

**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities (Continued)

Bond issuance costs

When bond issuance costs used in governmental activities are expended, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as amortization costs. As a result, fund balances decrease by the amount of financial resources expended; whereas, net assets decrease by the amount of amortization expense charged for the year.

Amortization expense	\$ (176,835)
Bond issuance costs	<u>107,000</u>
Total	<u><u>\$ (69,835)</u></u>

Long-term debt transactions

Repayments of bond principal are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

Bond principal payments	\$ 2,435,000
Payment to escrow	1,860,000
Amortization - bond discount	(23,383)
Amortization - deferred amount	<u>(4,539)</u>
Total	<u><u>\$ 4,267,078</u></u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.

Decrease in accrued compensated absences	\$ (1,806)
Net change in accrued interest payable	<u>122,350</u>
Total	<u><u>\$ 120,544</u></u>

**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE C - CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk, however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2009, the District's bank balance was \$12,504,201 and the carrying value was \$12,363,557. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2009, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>	<u>Fair Value</u>
First American Government Obligation Fund Class Y	N/A	\$ 27,959,680	\$ 27,959,680
Certificates of Deposit State Board of Administration	N/A	2,250,000	2,250,000
Fund A	N/A	127,874	128,053
Fund B	N/A	670,466	368,575
Total		<u>\$31,008,020</u>	<u>\$ 30,706,308</u>

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes. Among other investments, the policy allows the District to invest in the State Board of Administration Local Government Surplus Trust Funds. Cash placed with the State Board of Administration represents the District's participation in the Local Government Surplus Trust Funds Investment Pool and is reported at fair value. As a pool participant the District invests in pools of investments in which shares are owned in the pool rather than the underlying investments. These funds are divided into the LGIP Fund and Fund B. The District had investments reported at fair value of \$368,575 at September 30, 2009 in Fund B. Fund B is not rated by any nationally recognized rating agency. Fund B consists of assets transferred from the LGIP in December 2007 that represented securities that had defaulted or are in default, or have extended payout times or are subject to potentially elevated credit risk. These funds are not subject to withdrawal, but will be paid as they mature. Fair market value is determined and reported as disclosed by the State Board of administration. The calculation of the net change in the fair value of investments is independent of the calculation of realized gains and losses.

North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Credit Risk

The District's investments in treasury funds, commercial paper, and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2009, the District's investment in the First American Government Obligation Fund Class Y was rated AAA by Standard & Poor's. The Local Government Surplus Funds Trust is an authorized investment under Section 218.415, Florida Statutes. The District's investments in the state investment pool and government loans are limited by state statutory requirements and bond compliance. The District has monies invested with the Local Government Surplus Funds Trust Fund (Fund), at September 30, 2009. This fund met the requirements of a "2a-7 like pool" as defined in Government Accounting Standards Board, Statement 31. The Local Government Surplus Funds Trust is not rated.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one. The investments in First American Government Obligation Fund Class Y are 90.2% of the District's total investments. The State Board of Administration consists of 2.6% of the District's total investments and Certificates of Deposits hold 7.2% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2009 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

NOTE D – SPECIAL ASSESSMENT REVENUES

Special assessment revenues recognized for the 2008-2009 fiscal year were levied in October 2008. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to, June 1; therefore, there were no material taxes receivable at fiscal year end.

North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE E – RECEIVABLE AND PAYABLE BALANCES

Accounts Receivable

Accounts receivable in the enterprise fund at September 30, 2009 consisted of water and sewer billed accounts that amounted to \$501,676 and unbilled accounts that amounted to \$401,267.

Accounts Payable

Accounts payable and accrued expenses in the governmental funds consisted of vendor payables due in the amount of \$161,671.

Accounts payable and accrued expenses in the enterprise fund consisted of vendor payables in the amount of \$597,382.

NOTE F – CAPITAL ASSETS

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

	Restated October 1, 2008	Additions	Deletions	Balance September 30, 2009
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 12,121,112	\$ -	\$ -	\$ 12,121,112
Construction in Progress	25,138,033	3,140,535	27,957,671	320,897
Total capital assets, not depreciated	<u>37,259,145</u>	<u>3,140,535</u>	<u>27,957,671</u>	<u>12,442,009</u>
Capital assets, being depreciated:				
Infrastructure	99,035,947	27,957,671	-	126,993,618
Building	2,967,664	-	-	2,967,664
Equipment	177,181	-	-	177,181
Total capital assets, being depreciated	<u>102,180,792</u>	<u>27,957,671</u>	<u>-</u>	<u>130,138,463</u>
Less accumulated depreciation for:				
Infrastructure	(30,083,737)	(2,701,183)	-	(32,784,920)
Building	(873,812)	(98,922)	-	(972,734)
Equipment	(108,081)	(17,327)	-	(125,408)
Total accumulated depreciation	<u>(31,065,630)</u>	<u>(2,817,432)</u>	<u>-</u>	<u>(33,883,062)</u>
Total capital assets depreciated, net	<u>71,115,162</u>	<u>25,140,239</u>	<u>-</u>	<u>96,255,401</u>
Governmental Activities Capital Assets, net	<u>\$ 108,374,307</u>	<u>\$ 28,280,774</u>	<u>\$ 27,957,671</u>	<u>\$ 108,697,410</u>

Depreciation expense is charged to the following functions:

Physical environment	\$2,817,432
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North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE F – CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in the Water & Sewer Fund fixed assets for the year ended September 30, 2009.

	Balance 10/01/08	Additions	Deletions	Balance 09/30/09
<u>Proprietary Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 181,585	\$ -	\$ -	\$ 181,585
Construction In Progress	-	61,291	-	61,291
Total capital assets, not depreciated	<u>181,585</u>	<u>61,291</u>	<u>-</u>	<u>242,876</u>
Capital assets, being depreciated:				
Buildings	9,751	-	-	9,751
Infrastructure	70,318,025	-	-	70,318,025
Equipment	708,018	472,455	-	1,180,473
Meters In the Field	494,894	14,268	-	509,162
Total capital assets, being depreciated	<u>71,530,688</u>	<u>486,723</u>	<u>-</u>	<u>72,017,411</u>
Less accumulated depreciation for:				
Buildings	(2,353)	(488)	-	(2,841)
Infrastructure	(18,836,505)	(1,784,583)	-	(20,621,088)
Equipment	(367,040)	(84,218)	-	(451,258)
Meters In the Field	(364,496)	(25,070)	-	(389,566)
Total accumulated depreciation	<u>(19,570,394)</u>	<u>(1,894,359)</u>	<u>-</u>	<u>(21,464,753)</u>
Total capital assets depreciated, net	<u>51,960,294</u>	<u>(1,407,636)</u>	<u>-</u>	<u>50,552,658</u>
Business-Type Activities Capital Assets	<u>\$ 52,141,879</u>	<u>\$ (1,346,345)</u>	<u>\$ -</u>	<u>\$ 50,795,534</u>

Depreciation expense is charged to the following functions:

Water & Sewer	<u>\$ 1,894,359</u>
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**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE G – LONG-TERM DEBT

The following is a summary of the long-term debt activity of the Governmental Activities for the year ended September 30, 2009:

	Beginning Balance 10/1/2008	Additions	Deletions	Ending Balance 9/30/2009
<u>Governmental Funds:</u>				
Bonds payable				
Water management bonds	\$ 19,160,000	\$ -	\$ 665,000	\$ 18,495,000
Special assessment bonds	42,510,000	1,575,000	3,630,000	40,455,000
Total Bonds Payable	<u>61,670,000</u>	<u>1,575,000</u>	<u>4,295,000</u>	<u>58,950,000</u>
Other liabilities				
Compensated absences	40,967	18,074	19,880	39,161
Governmental funds liabilities	<u>\$ 61,710,967</u>	<u>\$ 1,593,074</u>	<u>\$ 4,314,880</u>	<u>\$ 58,989,161</u>

Water Management Bonds payable at September 30, 2009 are comprised of the following:

\$955,000 Series 1990A Water Management Bonds due in annual principal installments. Interest at 8.125% is due in May and November. Current portion is \$95,000. \$ 95,000

\$13,490,000 Series 1998 Water Management Bonds due in annual principal installments. Interest at 3.8% to 5% is due in May and November. Current portion is \$445,000. 9,625,000

\$2,925,000 Series 2005A Water Management Bonds due in annual principal installments. Interest at 5.375% is due in May and November. Current portion is \$115,000. 2,535,000

\$6,365,000 Series 2005B Water Management Bonds due in annual principal installments. Interest at 5.5% is due in May and November. Current portion is \$45,000. 6,240,000

Water Management Bonds payable at September 30, 2009 \$ 18,495,000

The Water Management Bonds are secured primarily from special assessment taxes levied by the District.

**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE G – LONG-TERM DEBT (CONTINUED)

Special Assessment Bonds payable at September 30, 2009 are comprised of the following:

\$7,945,000 Series 1997 Special Assessment Bonds due in annual principal installments. Interest at 7% is due in May and November. Current portion is \$380,000.	5,300,000
\$20,955,000 Series 2005A-1 Special Assessment Bonds due in annual principal installments. Interest at 5.45% is due in May and November. Current portion is \$700,000.	18,970,000
\$4,730,000 Series 2005A-2 Special Assessment Bonds due in annual principal installments. Interest at 5.5% is due in May and November. Current portion is \$155,000.	4,285,000
\$4,190,000 Series 2005B-1 Special Assessment Bonds due in a balloon payment in May 2015. Interest at 5.125% is due in May and November. Current portion is \$0.	1,570,000
\$915,000 Series 2005B-2 Special Assessment Bonds due in a balloon payment in May 2015. Interest at 5.125% is due in May and November. Current portion is \$0.	465,000
\$6,930,000 Series 2006 A Special Assessment Bonds due in annual principal installments. Interest at 5.2% is due in May and November. Current portion is \$225,000	6,495,000
\$2,165,000 Series 2006 B Special Assessment Bonds due in a balloon payment in May 2014. Interest at 5% is due in May and November. Current portion is \$0.	1,795,000
\$1,575,000 Series 2009 Special Assessment Refunding Bonds due in a balloon payment in May 2019. Interest at 4.5% is due in May and November. Current portion is \$125,000.	<u>1,575,000</u>
Special Assessment Bonds payable at September 30, 2009	<u>\$ 40,455,000</u>

**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE G – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the principal and interest of governmental activity debt outstanding for the next five years and thereafter are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,285,000	\$ 3,205,583	\$ 5,490,583
2011	2,315,000	3,078,505	5,393,505
2012	2,445,000	2,952,460	5,397,460
2013	2,585,000	2,818,804	5,403,804
2014	4,525,000	2,674,869	7,199,869
2015-2019	18,240,000	10,039,600	28,279,600
2020-2024	15,915,000	5,516,365	21,431,365
2025-2029	7,400,000	1,710,123	9,110,123
2030-2034	2,625,000	617,925	3,242,925
2035	615,000	33,825	648,825
Totals	<u>\$ 58,950,000</u>	<u>\$ 32,648,059</u>	<u>\$ 91,598,059</u>

Summary of Significant Bond Resolution Terms and Covenants

Water Management Bonds Series 1990A, Series 1994B and Series 1998

Depository Funds

The bond resolution established certain funds and determines the order in which revenues are to be deposited in these funds. A description of these funds, including their purpose, is as follows:

1. Bond Reserve Fund – The Series 1990A – For deposit of an amount equal to 10% of the original bond proceeds. The Series 1994B - For deposit of an amount equal to maximum annual debt service on all bonds outstanding. The Series 1998 - For deposit of an amount equal to the maximum annual debt service on all bonds outstanding. The monies in the reserve account are not available for any purpose other than the payment of principal installments of and interest on bonds outstanding.

**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE G – LONG-TERM DEBT (CONTINUED)

Special Assessment Bonds Series 1997

Depository Funds

The bond resolution established certain funds and determines the order in which revenues are to be deposited in these funds. A description of these funds, including their purpose, is as follows:

1. Bond Reserve Fund – The Series 1997 - for deposit of an amount equal to maximum annual debt service on all bonds outstanding as of the date of issuance and Series 1997B - for deposit of an amount equal to 10% of the outstanding bond principal.

The following is a schedule of required reserve deposits as of September 30, 2009:

	<u>Reserve Requirement</u>	<u>Reserve Balance</u>
Series 1990A Water Management Bond	\$ 95,500	\$ 95,500
Series 1997 Special Assessment Bond	739,950	739,950
Series 1998 Water Management Bond	916,000	916,000
Series 2005A/B Water Management Bond	317,844	317,844
Series 2005A-1 Special Assessment Bond	1,559,334	1,622,293
Series 2005B-1 Special Assessment Bond	40,047	40,065
Series 2005A-2 Special Assessment Bond	354,958	369,319
Series 2005B-2 Special Assessment Bond	9,328	13,995
Series 2006A Special Assessment Bond	524,412	543,897
Series 2006B Special Assessment Bond	44,798	44,542
Series 2009 Special Assessment Bond	19,843	19,843

**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE G – LONG-TERM DEBT (CONTINUED)

The following is a summary of the long-term debt activity of the Business-Type Activities for the year ended September 30, 2009:

	<u>Balance 10/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2009</u>
<u>Governmental Funds:</u>				
Bonds payable				
Revenue refunding bonds	\$ 4,790,000	\$ -	\$ 1,190,000	\$ 3,600,000
Water and sewer revenue bonds	17,785,000	-	-	17,785,000
Total Bonds Payable	<u>22,575,000</u>	<u>-</u>	<u>1,190,000</u>	<u>21,385,000</u>
Other liabilities				
Compensated absences	90,826	75,774	45,237	121,363
Governmental Funds Liabilities	<u>\$ 22,665,826</u>	<u>\$ 75,774</u>	<u>\$ 1,235,237</u>	<u>\$ 21,506,363</u>

Water and Sewer Revenue Bonds payable at September 30, 2009 are comprised of the following:

\$17,785,000 Series 1998 Water and Sewer Revenue Bonds due in annual principal installments beginning in October 2010. Interest at 4.75% and 5.125% is due in April and October. Current portion is \$730,000. \$ 17,785,000

Revenue Refunding Bonds payable at September 30, 2009 are comprised of the following:

\$8,550,000 Series 1994A and \$4,245,000 Series 1994B Utility Revenue Refunding Bonds due in annual principal installments. Interest from 6.5% to 7.00% is due in April and October. Current portion is \$1,010,000 for Series 1994A and \$255,000 for Series 1994B. \$ 3,600,000

The revenue bonds are secured by available future user fees adopted by the District in accordance with the Act and Chapter 197, Florida Statutes.

The Utility Revenue Refunding Bonds are secured by a pledge of Net Revenues under the Indenture, which are defined as all income and monies received by the District from the rates, fees, rentals, charges and other income collected by the District for the use of the products, services and facilities to be provided by the System.

**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE G – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the principal and interest of enterprise fund bonds payable as of September 30, 2009 are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,265,000	\$ 1,111,134	\$ 2,376,134
2011	1,005,000	1,024,369	2,029,369
2012	1,060,000	969,081	2,029,081
2013	1,115,000	910,769	2,025,769
2014	1,175,000	849,363	2,024,363
2015-2019	6,930,000	3,204,706	10,134,706
2020-2024	8,835,000	1,297,938	10,132,938
Totals	<u>\$ 21,385,000</u>	<u>\$ 9,367,360</u>	<u>\$ 30,752,360</u>

Summary of Significant Bond Resolution Terms and Covenants

Revenue Refunding Bonds, Series 1994A and 1994B

Depository Funds

The bond resolution established certain funds and determines the order in which revenues are to be deposited into these funds. A description of these funds, including their purpose, is as follows:

1. Bond Reserve Fund - For deposit of an amount equal to the maximum amount of the principal installments and interest payable in any year on all bonds outstanding and bond anticipation notes. The monies in the reserve account are not available for any purpose other than the payment of the principal installments of and interest on the bonds. As provided for in the resolution, the District elected to provide for the maximum reserve by purchasing a surety bond through MBIA Insurance Company in the amount of \$8,550,000 for the 1994A series and \$4,245,000 for the 1994B series, which is the original outstanding principal balance on the bonds, respectively, when issued.

**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE G – LONG-TERM DEBT (CONTINUED)

Water and Sewer Revenue Bonds, Series 1998

Depository Funds

The bond resolution established certain funds and determines the order in which revenues are to be deposited into these funds. A description of these funds, including their purpose, is as follows:

1. Bond Reserve Fund

For deposit of an amount equal to the maximum amount of the principal installments and interest payable in any year on all bonds outstanding and bond anticipation notes. The monies in the reserve account are not available for any purpose other than the payment of the principal installments of and interest on the bonds. As provided for in the resolution, the District elected to provide for the maximum reserve by purchasing a surety bond through MBIA Insurance Company in the amount of \$17,785,000, which is the total outstanding principal balance on the bonds as of September 30, 2009.

NOTE H – ADVANCED REFUNDING

In May of 2009, the District issued \$1,575,000 of Series 2009 Special Assessment Revenue Refunding Bonds, all of which remain outstanding at September 30, 2009. The series 2009 bonds were issued to refund the outstanding Series 1997A Special Assessment Bonds. The Series 2009 bonds bear an interest rate of 4.5% with term bonds of \$1,575,000 due from November 2009 to May 2019.

The advance refunding of the series 1997A Special Assessment Bonds resulted in a deferred amount on refunding of \$33,618. As a result of this transaction the District decreased its aggregate debt payment for Series 2009 Bonds by \$312,591 over the next 10 years and realized an economic gain of approximately \$548,275.

**North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009**

NOTE I – INTERFUND BALANCES

Interfund balances at September 30, 2009 consisted of the following:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ -	\$ 428,870
Enterprise Funds:		
Water and Sewer Fund	\$ 428,870	\$ -

Amounts due from the General Fund represent payroll reimbursement to the Water and Sewer Fund. All balances are expected to be paid within 60 days after year end.

NOTE J – RETIREMENT PLAN

The District participates in a multi-employer defined contribution pension plan sponsored by Coral Springs Improvement District, covering all employees who meet certain age and length-of-service requirements. The District's required contribution is 6% of the total salaries of qualified participants. Total salaries of the qualified participants for the year ending September 30, 2009 were \$1,235,301. Each participant's non-forfeitable percentage of the employer's contribution account increases (vests) 20% for each year of service for five years, at the end of which time the employee would be fully vested. Employer contributions for the period, less forfeitures from terminated employees, were \$74,118.

NOTE K – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

NOTE L – SUBSEQUENT EVENTS

Subsequent to year end, the District and two (2) major developers reconciled the amounts the District owed to the developers. The accompanying financial statements reflect the amount agreed upon by the District and the developers.

During November 2009, the District paid in full the outstanding balance of the 1990 Water Management Special Assessment Bonds.

North Springs Improvement District
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE M – RESTATEMENT OF NET ASSETS

Capital assets and invested in capital assets, net were restated as of October 1, 2008 to properly reflect construction in progress paid directly by the developers as follows:

Capital assets, October 1, 2008	\$ 19,833,895
Additional construction in progress	<u>5,140,266</u>
Capital assets, October 1, 2008, restated	<u>\$ 24,974,161</u>

Invested in capital assets, net balance October 1, 2008	\$ 65,921,847
Additional construction in progress	<u>5,140,266</u>
Balance October 1, 2008, restated	<u>\$ 71,062,113</u>

North Springs Improvement District
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2009

	<u>201</u> <u>Debt Service</u>	<u>204</u> <u>Debt Service</u>	<u>205</u> <u>Debt Service</u>	<u>206</u> <u>Debt Service</u>	<u>208</u> <u>Debt Service</u>	<u>209</u> <u>Debt Service</u>
ASSETS						
Due from other funds	\$ -	\$ -	\$ -	\$ 41,216	\$ -	\$ -
Assessments receivable	1,158	57,926	55,426	11,456	3,403	438
Restricted Assets:						
Investments, at fair value	151,093	1,401,016	1,314,324	729,428	576,947	883,609
Total Assets	<u>\$ 152,251</u>	<u>\$ 1,458,942</u>	<u>\$ 1,369,750</u>	<u>\$ 782,100</u>	<u>\$ 580,350</u>	<u>\$ 884,047</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 2,694	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts payable						
Due to other funds	307	34,096	13,010	482	-	5,087
Due to developer	-	-	-	-	-	-
Total liabilities	3,001	34,096	13,010	482	-	5,087
FUND BALANCES						
Reserved for debt service	149,250	1,424,846	1,356,740	781,618	580,350	878,960
Reserved for capital projects	-	-	-	-	-	-
Total Fund Balances	<u>149,250</u>	<u>1,424,846</u>	<u>1,356,740</u>	<u>781,618</u>	<u>580,350</u>	<u>878,960</u>
Total Liabilities and Fund Balances	<u>\$ 152,251</u>	<u>\$ 1,458,942</u>	<u>\$ 1,369,750</u>	<u>\$ 782,100</u>	<u>\$ 580,350</u>	<u>\$ 884,047</u>

<u>210</u> <u>Debt Service</u>	<u>302</u> <u>Capital Projects</u>	<u>305</u> <u>Capital Projects</u>	<u>306</u> <u>Capital Projects</u>	<u>308</u> <u>Capital Projects</u>	<u>309</u> <u>Capital Projects</u>	<u>Total Other</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,216
-	-	-	-	-	-	129,807
77,751	29,257	31,176	68,193	130,265	4,076,322	9,469,381
<u>\$ 77,751</u>	<u>\$ 29,257</u>	<u>\$ 31,176</u>	<u>\$ 68,193</u>	<u>\$ 130,265</u>	<u>\$ 4,076,322</u>	<u>\$ 9,640,404</u>
\$ -	\$ -	\$ -	\$ -	-	-	\$ 2,694
-	-	-	-	3,991	84,030	88,021
-	-	-	-	-	-	52,982
-	-	-	-	59,198	350,319	409,517
-	-	-	-	63,189	434,349	553,214
77,751	-	-	-	-	-	5,249,515
-	29,257	31,176	68,193	67,076	3,641,973	3,837,675
77,751	29,257	31,176	68,193	67,076	3,641,973	9,087,190
<u>\$ 77,751</u>	<u>\$ 29,257</u>	<u>\$ 31,176</u>	<u>\$ 68,193</u>	<u>\$ 130,265</u>	<u>\$ 4,076,322</u>	<u>\$ 9,640,404</u>

North Springs Improvement District
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2009

	201	204	205	206	208	209
	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service	Debt Service
Revenues						
Special assessments	\$ 105,584	\$ 798,963	\$ 807,044	\$ 597,385	\$ 493,825	\$ 776,615
Investment earnings	606	5,186	5,281	2,749	2,025	2,892
Total Revenues	<u>106,190</u>	<u>804,149</u>	<u>812,325</u>	<u>600,134</u>	<u>495,850</u>	<u>779,507</u>
Expenditures						
Capital outlay						
Debt service						
Principal	85,000	360,000	430,000	150,000	220,000	290,000
Interest	14,625	396,200	493,575	487,575	273,335	445,439
Other	6,445	13,873	14,520	10,205	16,468	10,225
Total Expenditures	<u>106,070</u>	<u>770,073</u>	<u>938,095</u>	<u>647,780</u>	<u>509,803</u>	<u>745,664</u>
Excess of revenues over/(under) expenditures	<u>120</u>	<u>34,076</u>	<u>(125,770)</u>	<u>(47,646)</u>	<u>(13,953)</u>	<u>33,843</u>
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	(18,675)	-	-	(2,205)	(323)
Proceeds from long-term debt	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(18,675)</u>	<u>-</u>	<u>-</u>	<u>(2,205)</u>	<u>(323)</u>
Excess of revenues and other sources over/(under) expenditures and other uses	<u>120</u>	<u>15,401</u>	<u>(125,770)</u>	<u>(47,646)</u>	<u>(16,158)</u>	<u>33,520</u>
Fund Balances - October 1, 2008	<u>149,130</u>	<u>1,409,445</u>	<u>1,482,510</u>	<u>829,264</u>	<u>596,508</u>	<u>845,440</u>
Fund Balances - September 30, 2009	<u>\$ 149,250</u>	<u>\$ 1,424,846</u>	<u>\$ 1,356,740</u>	<u>\$ 781,618</u>	<u>\$ 580,350</u>	<u>\$ 878,960</u>

210	302	305	306	308	309	Total Other
Debt Service	Capital Projects	Capital Projects	Capital Projects	Capital Projects	Capital Projects	Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,579,416
4	115	122	281	678	16,202	36,141
<u>4</u>	<u>115</u>	<u>122</u>	<u>281</u>	<u>678</u>	<u>16,202</u>	<u>3,615,557</u>
			7,314	60,028	143,878	211,220
-	-	-	-	-	-	1,535,000
-	-	-	-	-	-	2,110,749
112,271	-	-	-	-	8,792	192,799
<u>112,271</u>	<u>-</u>	<u>-</u>	<u>7,314</u>	<u>60,028</u>	<u>152,670</u>	<u>4,049,768</u>
(112,267)	115	122	(7,033)	(59,350)	(136,468)	(434,211)
52,487	-	-	-	2,205	323	55,015
-	-	-	-	-	-	(21,203)
137,531	-	-	-	-	-	137,531
<u>190,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,205</u>	<u>323</u>	<u>171,343</u>
77,751	115	122	(7,033)	(57,145)	(136,145)	(262,868)
-	29,142	31,054	75,226	124,221	3,778,118	9,350,058
<u>\$ 77,751</u>	<u>\$ 29,257</u>	<u>\$ 31,176</u>	<u>\$ 68,193</u>	<u>\$ 67,076</u>	<u>\$ 3,641,973</u>	<u>\$ 9,087,190</u>



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

To the Board of Supervisors
North Springs Improvement District
Coral Springs, Florida

We have audited the financial statements of North Springs Improvement District as of and for the year ended September 30, 2009, and have issued our report thereon dated May 18, 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 North Springs Improvement District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Springs Improvement District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North Springs Improvement 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity'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.

To the Board of Supervisors
North Springs Improvement District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Springs Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than those specified parties.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

May 18, 2010



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Management Letter

To the Board of Supervisors
North Springs Improvement District
Coral Springs, Florida

We have audited the financial statements of the North Springs Improvement District, Florida as of and for the year ended September 30, 2009, and have issued our report thereon dated May 18, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report which is dated May 18, 2010 should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(i)) require that we address in the Management Letter, if not already addressed in the auditors' report on compliance and internal control whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no findings in the prior year audit.

The Rules of the Auditor General (Section 10.554(1)(i)1.) require that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(i)2.) the scope of our audit included 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 North Springs Improvement District complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)3, 4 and 5.) require that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls: (1) violations of laws, rules, regulations, and contractual provisions have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g. the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies,

To the Board of Supervisors
North Springs Improvement District

shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. Our audit did not discover any of the above items that require to be disclosed.

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

North Springs Improvement District has not met one or more of the conditions described in Section 218.503(1), Florida Statutes and is not in a state of financial emergency.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the District for the fiscal year ended September 30, 2009, filed with the Department of Banking Finance pursuant to Section 218.32, Florida Statutes, is in agreement with our annual financial audit report for the fiscal year ended September 30, 2009.

Pursuant to Chapter 119, Florida Statutes, this Management Letter is a public record and its' distribution is not limited. However, in accordance with auditing standards generally accepted in the United States of America, this Management Letter is intended solely for the information of North Springs Improvement District and Management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Berger, Toombs, Elam,
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

May 18, 2010