

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
FINANCIAL STATEMENTS

For The Fiscal Year Ended
September 30, 2011

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
FINANCIAL STATEMENTS

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September 30, 2011
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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Harbourage at Braden River Community Development District
Manatee County, Florida

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2011, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9, the District adopted Statement of Governmental Accounting Standards No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended September 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2012, in our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (pages 3 to 7) and budgetary comparison information (pages 24 to 25) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



CERTIFIED PUBLIC ACCOUNTANTS

May 15, 2012
Bradenton, FL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Harbourage at Braden River Community Development District, Manatee County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2011 by \$1,446,269 (net assets). Of this amount, \$182,552 is unrestricted and may be used to meet the District's ongoing obligations.
- The change in District's net assets was a decrease of \$101,370. Key elements of the District's net assets and change in net assets are reflected in the tables in the following section.
- At September 30, 2011 the District's governmental funds reported combined ending fund balances of \$436,817 a decrease of \$26,903. Of the total fund balance, \$254,265 is restricted for debt service, and \$182,552 is unassigned fund balance available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and debt service funds, both of which are considered to be major funds.

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$1,446,269 and \$1,547,639 (net assets) at the close of the fiscal year ended September 30, 2011 and 2010, respectively.

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

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. They are funds set aside for debt service under the District's Bond Indentures. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

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

NET ASSETS

	2011	2010
Assets, excluding capital assets	\$ 662,258	\$ 690,960
Capital assets, net of depreciation	<u>3,874,785</u>	<u>4,015,068</u>
Total assets	<u>4,537,043</u>	<u>4,706,028</u>
Liabilities, excluding long-term liabilities	225,774	218,389
Long-term liabilities	<u>2,865,000</u>	<u>2,940,000</u>
Total liabilities	<u>3,090,774</u>	<u>3,158,389</u>
Net assets		
Invested in capital assets, net of related debt	1,084,100	1,160,354
Restricted for debt service	179,617	194,570
Unrestricted	<u>182,552</u>	<u>192,715</u>
Total net assets	<u>\$ 1,446,269</u>	<u>\$ 1,547,639</u>

At September 30, 2011, the District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The same held true for the prior fiscal year.

The District's total net assets decreased by \$101,370 and \$14,461 during the fiscal years ended September 30, 2011 and 2010, respectively. Key elements of the change in net assets are reflected in the following table:

FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

	2011	2010
Revenues:		
Program revenues	\$ 554,725	\$ 649,679
General revenues	557	713
Total revenues	<u>555,282</u>	<u>650,392</u>
Expenses:		
General government	111,090	104,383
Maintenance and operations	377,818	373,939
Interest	<u>167,744</u>	<u>186,711</u>
Total expenses	<u>656,652</u>	<u>665,033</u>
Change in net assets	(101,370)	(14,641)
Net assets, beginning	<u>1,547,639</u>	<u>1,562,280</u>
Net assets, ending	<u>\$ 1,446,269</u>	<u>\$ 1,547,639</u>

The District's program revenues include assessments and developer contributions for the current and prior fiscal years. The District's overall expenses decrease is due to lower interest expense.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

	2011		2010	
General government	\$ 111,090	19%	\$ 104,383	17%
Maintenance and operations	237,535	41%	227,685	37%
Interest and principal on long-term debt	<u>233,560</u>	<u>40%</u>	<u>289,263</u>	<u>46%</u>
Total	<u>\$ 582,185</u>	<u>100%</u>	<u>\$ 621,331</u>	<u>100%</u>

As noted above, maintenance and operations and interest and principal on long-term debt were the majority of expenditures for the current year, while interest and principal on long-term debt was the majority of expenditures for the prior year.

GENERAL BUDGETING HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2011 and 2010, the District had \$4,841,350 and \$4,841,350, respectively, vested in land, infrastructure and machinery and equipment. Accumulated depreciation of \$966,565 and \$826,282, respectively have been taken in the entity-wide financial statements, which resulted in a net book value of \$3,874,785 and \$4,015,068, respectively. More detailed information about the District's capital assets is presented in Note 4 of the financial statements.

Debt

As of September 30, 2011 and 2010 the District had \$2,925,000 and \$2,995,000, respectively, in Bonds outstanding. A prepayment of \$15,000 was made in addition to the regularly scheduled required payment. No new debt was issued during the year and the District had no immediate need to issue additional debt. More detailed information about the District's long-term debt is presented in Note 5 of the financial statements.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Harbourage at Braden River Community Development District's Finance Department at 8210 Lakewood Ranch Boulevard, Bradenton, Florida 34202.

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2011

	Governmental Activities
ASSETS	
Cash	\$ 209,944
Deposits	1,450
Restricted assets:	
Investments	316,549
Deferred charges	134,315
Capital assets:	
Nondepreciable	1,049,469
Depreciable, net	<u>2,825,316</u>
Total assets	<u>4,537,043</u>
LIABILITIES	
Accounts payable	6,876
Accrued expenses	104
Accrued interest payable	74,648
Due to Developer	84,146
Non-current liabilities:	
Due within one year	60,000
Due in more than one year	<u>2,865,000</u>
Total liabilities	<u>3,090,774</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,084,100
Restricted for debt service	179,617
Unrestricted	<u>182,552</u>
Total net assets	<u>\$ 1,446,269</u>

See notes to the financial statements.

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 111,090	\$ 111,090	\$ -	\$ -
Maintenance and operations	377,818	218,171	-	(159,647)
Interest on long-term debt	<u>167,744</u>	<u>225,464</u>	<u>-</u>	<u>57,720</u>
Total governmental activities	<u>\$ 656,652</u>	<u>\$ 554,725</u>	<u>\$ -</u>	<u>(101,927)</u>
General revenues:				
Interest income				<u>557</u>
Change in net assets				(101,370)
Net assets - beginning				<u>1,547,639</u>
Net assets - ending				<u>\$ 1,446,269</u>

See notes to the financial statements.

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011

	Major Funds		Total Governmental Funds
	General	Debt Service	
ASSETS			
Cash	\$ 209,944	\$ -	\$ 209,944
Investments	-	316,549	316,549
Due from other fund	-	21,862	21,862
Deposits	1,450	-	1,450
Total assets	<u>\$ 211,394</u>	<u>\$ 338,411</u>	<u>\$ 549,805</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,876	\$ -	\$ 6,876
Accrued expenses	104	-	104
Due to other fund	21,862		21,862
Due to Developer	-	84,146	84,146
Total liabilities	<u>28,842</u>	<u>84,146</u>	<u>112,988</u>
Fund balances:			
Restricted for:			
Debt service	-	254,265	254,265
Unassigned in:			
General fund	182,552	-	182,552
Total fund balance	<u>182,552</u>	<u>254,265</u>	<u>436,817</u>
Total liabilities and fund balances	<u>\$ 211,394</u>	<u>\$ 338,411</u>	<u>\$ 549,805</u>

See notes to the financial statements.

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
RECONCILIATION OF BALANCE SHEET GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
September 30, 2011

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

Fund balance - governmental funds, page 10	\$	436,817
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Cost of capital assets	4,841,350		
Accumulated depreciation	<u>(966,565)</u>		3,874,785

Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Bond issue costs	179,125		
Accumulated amortization	<u>(44,810)</u>		134,315

Certain liabilities not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest payable	(74,648)		
Bonds payable	<u>(2,925,000)</u>		<u>(2,999,648)</u>

Net assets of governmental activities, page 8	\$	<u>1,446,269</u>
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See notes to the financial statements.

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Fiscal Year Ended September 30, 2011

	Major Funds		Total
	General	Debt Service	Governmental Funds
REVENUES			
Assessments	\$ 329,261	\$ 225,464	\$ 554,725
Interest income	557	-	557
Total revenues	<u>329,818</u>	<u>225,464</u>	<u>555,282</u>
EXPENDITURES			
Current:			
General government	102,446	8,644	111,090
Maintenance and operations	237,535	-	237,535
Debt service:			
Principal	-	70,000	70,000
Interest	-	163,560	163,560
Total expenditures	<u>339,981</u>	<u>242,204</u>	<u>582,185</u>
Excess (deficiency) of revenues over expenditures	(10,163)	(16,740)	(26,903)
Fund balances - beginning	192,715	271,005	463,720
Fund balances - ending	<u>\$ 182,552</u>	<u>\$ 254,265</u>	<u>\$ 436,817</u>

See notes to the financial statements.

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Fiscal Year Ended September 30, 2011

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

Net change in fund balances - total governmental funds	\$ (26,903)
Depreciation on capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(140,283)
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	70,000
Governmental funds report the effect of issuance of costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(5,971)
The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements.	<u>1,787</u>
Change in net assets of governmental activities	<u>\$ (101,370)</u>

See notes to the financial statements.

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Harbourage at Braden River Community Development District ("District") was created in August 2003 by Ordinance 03-43 of the Manatee County, Florida, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue Bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

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

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. All of the Board members are affiliated with Neal Communities ("Developer") at September 30, 2011. In addition, the Developer owns a portion of the land. Therefore the District is economically dependent on the Developer.

The Board has the final responsibility for:

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

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, Statement 34, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assessments

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January 1 to pay for the operations and maintenance and debt service of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments. The District's annual assessments are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution. In addition, any excess fees computed by the Tax Collector are remitted to the District.

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

The District reports the following major governmental funds:

General Fund

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

Debt Service Fund

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

Restricted Assets

These assets represent investments set aside pursuant to Bond covenants.

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deposits and Investments

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

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

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

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

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Infrastructure	30 years
Machinery and equipment	5 years

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

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred Charges

In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling \$179,125. In the government-wide statements that amount has been capitalized and amortized ratably over the estimated life of the Bonds. At September 30, 2011 the District reported accumulated amortization of \$44,810.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the Bonds. Bonds payable are reported net of premiums or discounts.

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

Fund Balances

Governmental funds report fund balances are classified either as nonspendable, or as spendable. Spendable fund balances are further classified based on the extent to which there are external and internal constraints on the spending of these fund balances. These classifications are described as follows:

Nonspendable Fund Balance – Amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations or imposed by laws through constitutional provisions or enabling legislation. The District is reporting restricted fund balances in the Debt Service Fund.

Committed Fund Balance – Amounts that are constrained for specific purposes imposed by the District's formal action of highest level of decision making authority.

Assigned Fund Balance – Includes spendable fund balances intended to be used for specific purposes, but which are neither restricted nor committed.

Unassigned Fund Balance – Represents the residual positive fund balance within the General Fund, which has not been assigned to other funds and has not been restricted, committed, assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

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

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.

NOTE 3 – CASH AND INVESTMENTS

Cash

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

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 – CASH AND INVESTMENTS - continued

Investments

The District's investments were held as follows at September 30, 2011:

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturity</u>
Money Market Mutual Fund – First American Government Obligation Funds	<u>\$ 316,549</u>	S & P AAAm	Weighted average of the fund portfolio: 29 days

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

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

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

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

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

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	<u>\$ 1,049,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,049,469</u>
Total capital assets, not being depreciated	<u>1,049,469</u>	<u>-</u>	<u>-</u>	<u>1,049,469</u>
Capital assets, being depreciated				
Infrastructure	<u>3,779,731</u>	<u>-</u>	<u>-</u>	<u>3,779,731</u>
Machinery and equipment	<u>12,150</u>	<u>-</u>	<u>-</u>	<u>12,150</u>
Total capital assets, being depreciated	<u>3,791,881</u>	<u>-</u>	<u>-</u>	<u>3,791,881</u>
Less accumulated depreciation for:				
Infrastructure	<u>821,074</u>	<u>138,547</u>	<u>-</u>	<u>959,621</u>
Machinery and equipment	<u>5,208</u>	<u>1,736</u>	<u>-</u>	<u>6,944</u>
Total accumulated depreciation	<u>826,282</u>	<u>140,283</u>	<u>-</u>	<u>966,565</u>
Total capital assets, being depreciated, net	<u>2,965,599</u>	<u>(140,283)</u>	<u>-</u>	<u>2,825,316</u>
Governmental activities capital assets, net	<u>\$ 4,015,068</u>	<u>\$ (140,283)</u>	<u>\$ -</u>	<u>\$ 3,874,785</u>

In connection with the 2003 Bond issue and related project, the District will make provision for certain deferred costs as outlined in the Bond Indenture. As such the District established a deferred cost investment account in the debt service fund and transferred available funds from the debt service reserve investment account to the deferred cost account. During the fiscal year ended September 30, 2011, the District made no payments to the Developer leaving a payable balance of \$84,186 which is reflected in the accompanying financial statements as Due to Developer. In addition, the intention of the District is to continue paying the Developer as funds become available in the deferred cost account until the balance has been paid in full.

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 5 – LONG TERM LIABILITIES

On December 1, 2003 the District issued \$3,530,000 of Capital Improvement Revenue Bonds, Series 2003A. The Bonds are due May 1, 2034 with a fixed interest rate of 6.125%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2004. Principal is paid annually through May 1, 2034.

The Series 2003A Bonds are subject to mandatory, optional and extraordinary mandatory redemption based on provisions in the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. In addition, the Bond indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable:					
Series 2003A	<u>\$ 2,995,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ 2,925,000</u>	<u>\$ 60,000</u>

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

	Governmental Activities		
Year ending September 30,	Principal	Interest	Total
2012	60,000	179,156	239,156
2013	65,000	175,481	240,481
2014	70,000	171,500	241,500
2015	75,000	167,213	242,213
2016	80,000	162,619	242,213
2017-2021	470,000	734,694	1,204,694
2022-2026	630,000	572,075	1,202,075
2027-2031	845,000	355,556	1,200,556
2031-2034	<u>630,000</u>	<u>80,237</u>	<u>710,237</u>
	<u>\$ 2,925,000</u>	<u>\$ 2,598,531</u>	<u>\$ 5,523,125</u>

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE 6 – DEVELOPER AND RELATED TRANSACTIONS

As in the prior year, the Developer provides funding for the general operations of the District. Developer contributions reported in the general fund were \$35,314 for the fiscal year ended September 30, 2011.

NOTE 7 – MANAGEMENT COMPANY

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

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 9 – IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS

The District implemented Governmental Accounting Standards Boards Statement No. 54 (GASB 54), "Fund Balance Reporting and Governmental Fund Type Definitions" during the fiscal year ended September 30, 2011. The requirements of this statement are effective for financial statement periods beginning after June 15, 2010. GASB 54 provides more detailed fund balance classifications than in the past, and it clarifies the existing governmental fund type definitions. It bases the divisions of fund balance on the types of constraints which limit the use of the resources reported in governmental funds. These individual classifications are described in the Fund Balance section of Note 1.

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
GENERAL FUND BUDGET TO ACTUAL
September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Assessments	\$ 330,361	\$ 339,981	\$ 329,261	\$ (10,720)
Interest income	-	-	557	557
Total revenues	<u>330,361</u>	<u>339,981</u>	<u>329,818</u>	<u>(10,163)</u>
EXPENDITURES				
Current:				
General government	72,593	82,213	102,446	(20,233)
Maintenance and operations	<u>257,768</u>	<u>257,768</u>	<u>237,535</u>	<u>20,233</u>
Total expenditures	<u>330,361</u>	<u>339,981</u>	<u>339,981</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	(10,163)	(10,163)
Fund balance - beginning	<u>192,715</u>	<u>192,715</u>	<u>192,715</u>	<u>-</u>
Fund balance - ending	<u>\$ 192,715</u>	<u>\$ 192,715</u>	<u>\$ 182,552</u>	<u>\$ (10,163)</u>

HARBOURAGE AT BRADEN RIVER
COMMUNITY DEVELOPMENT DISTRICT
MANATEE COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2011

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2011 was amended once.

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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
Harbourage at Braden River Community Development District
Manatee County, Florida

We have audited the financial statements of the governmental activities and each major fund of Harbourage at Braden River Community Development District, Manatee County, Florida (the District") as of and for the fiscal year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

Shinn & Company LLC

CERTIFIED PUBLIC ACCOUNTANTS

May 15, 2012
Bradenton, FL

SHINN & COMPANY_{LLC}

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MANAGEMENT LETTER REQUIRED BY CHAPTER 10.554(1)(i) OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Supervisors
Harbourage at Braden River Community Development District
Manatee County, Florida

We have audited the accompanying basic financial statements of Harbourage at Braden River Community Development District ("District") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated May 15, 2012.

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

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated May 15, 2012. Disclosures in that report should be considered in conjunction with this management letter.

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

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

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



CERTIFIED PUBLIC ACCOUNTANTS

May 15, 2012
Bradenton, FL

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2010.

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

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

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported.

4. Violations of provisions of contracts or grant agreements, or abuse that have occurred or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported.

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

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

- b. Control deficiencies that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
- 7a. The District did not meet any of the conditions described in Section 218.503(1) Florida Statutes.
- 7b. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2011 financial audit report.
- 7c. We applied financial condition assessment procedures pursuant to Rule 10.556(7). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.