

**GRAND HAVEN COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012**

**GRAND HAVEN COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Grand Haven Community Development District
Flagler County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Grand Haven Community Development District, Flagler County, Florida ("District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Grau & Associates
March 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Grand Haven Community Development District, Flagler County, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a net assets balance of \$22,133,936.
- The change in the District's total net assets in comparison with the prior year was (\$1,859,321) a decrease. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2012, the District's governmental funds reported combined ending fund balances of \$1,973,502, a decrease of (\$177,361) in comparison with the prior fiscal year. A portion of fund balance is restricted for debt service, capital projects and other items; committed for future capital projects and disaster, assigned to litigation and working capital; and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

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

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

The District maintains three individual governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service and capital project funds 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 at the close of the most recent fiscal year.

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

	NET ASSETS	
	SEPTEMBER 30,	
	2012	2011
Assets, excluding capital assets	\$ 2,399,045	\$ 2,806,843
Capital assets, net of depreciation	23,928,712	25,926,528
Total assets	26,327,757	28,733,371
Liabilities, excluding long-term liabilities	209,488	281,591
Long-term liabilities	3,984,333	4,458,523
Total liabilities	4,193,821	4,740,114
Net assets		
Invested in capital assets, net of related debt	20,239,933	21,801,917
Restricted for:		
Debt service	356,942	343,553
Unrestricted	1,537,061	1,847,787
Total net assets	\$ 22,133,936	\$ 23,993,257

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

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

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

	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 3,529,484	\$ 3,516,014
Grants and contributions	-	147,551
General revenues		
Investment earnings	10,879	7,524
Total revenues	<u>3,540,363</u>	<u>3,671,089</u>
Expenses:		
General government	629,054	421,866
Maintenance and operations	2,882,289	2,813,798
Culture and recreational	1,636,789	1,687,822
Interest on long-term debt	251,552	274,124
Total expenses	<u>5,399,684</u>	<u>5,197,610</u>
Change in net assets	(1,859,321)	(1,526,521)
Net assets - beginning	23,993,257	25,519,778
Net assets - ending	<u>\$ 22,133,936</u>	<u>\$ 23,993,257</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2012 was \$5,399,684. The majority of the costs of the District's activities were paid by program revenues. Program revenues, comprised primarily of assessments, are consistent with prior year. The increase in current fiscal year expenses is primarily the result of an increase in legal costs and a settlement resulting from a complaint filed on a construction contract.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2012 was amended to increase revenues by \$78,758 and increase appropriations by \$258,172. The increase in revenues is primarily the result of greater than anticipated assessments being collected due to fewer people taking advantage of the discount for early payment than expected and the increase in appropriations is primarily due to additional costs incurred that had not been previously budgeted for.

GENERAL BUDGETING HIGHLIGHTS (Continued)

Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2012.

The variance between budgeted and actual general fund revenues for the current fiscal year was not considered significant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2012, the District had \$40,916,975 invested in land, land improvements, infrastructure and furniture and equipment. In the government-wide financial statements depreciation of \$16,988,263 has been taken, which resulted in net book value of \$23,928,712. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2012, the District had \$4,130,000 in Bonds outstanding for its governmental activities. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

For the subsequent fiscal year, the District anticipates that the cost of general operations will remain fairly constant.

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 Grand Haven Community Development District's Finance Department at 6131 Lyons Road, Suite 100, Coconut Creek, Florida, 33073.

**GRAND HAVEN COMMUNITY DEVELOPMENT DISTRICT
 FLAGLER COUNTY, FLORIDA
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2012**

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 1,154,652
Investments	430,371
Accounts receivable	6,460
Assessments receivable	123,687
Deferred charges	290,322
Prepays and deposits	215
Restricted assets:	
Temporarily restricted	
Investments	393,338
Capital assets, net	
Non-depreciable assets	4,015,202
Depreciable assets, net	19,913,510
Total assets	26,327,757
 LIABILITIES	
Accounts payable and accrued liabilities	128,761
Accrued interest payable	80,727
Non-current liabilities:	
Due within one year	510,000
Due in more than one year	3,474,333
Total liabilities	4,193,821
 NET ASSETS	
Invested in capital assets, net of related debt	20,239,933
Restricted for:	
Debt service	356,942
Unrestricted	1,537,061
Total net assets	\$ 22,133,936

See notes to the financial statements

**GRAND HAVEN COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
Primary government:			
Governmental activities:			
General government	\$ 629,054	\$ 629,054	\$ -
Maintenance and operations	2,882,289	2,175,362	(706,927)
Culture and recreational	1,636,789	-	(1,636,789)
Interest on long-term debt	251,552	725,068	473,516
Total governmental activities	<u>5,399,684</u>	<u>3,529,484</u>	<u>(1,870,200)</u>
General revenues:			
Unrestricted investment earnings			10,879
Change in net assets			<u>(1,859,321)</u>
Net assets - beginning			23,993,257
Net assets - ending			<u>\$ 22,133,936</u>

See notes to the financial statements

**GRAND HAVEN COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Project	
ASSETS				
Cash	\$ 1,154,652	\$ -	\$ -	\$ 1,154,652
Investments	430,371	373,171	20,167	823,709
Assessments receivable	98,950	24,737	-	123,687
Accounts receivable	6,460	-	-	6,460
Due from other funds	-	39,761	-	39,761
Prepays and deposits	215	-	-	215
Total assets	<u>\$ 1,690,648</u>	<u>\$ 437,669</u>	<u>\$ 20,167</u>	<u>\$ 2,148,484</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 113,826	\$ -	\$ 14,935	\$ 128,761
Deferred revenue	6,460	-	-	6,460
Due to other funds	39,761	-	-	39,761
Total liabilities	<u>160,047</u>	<u>-</u>	<u>14,935</u>	<u>174,982</u>
Fund balances:				
Nonspendable:				
Prepaid items	215	-	-	215
Restricted for:				
Debt service	-	437,669	-	437,669
Capital projects	-	-	5,232	5,232
Committed:				
Disaster	500,000	-	-	500,000
Roads	134,335	-	-	134,335
Assigned to:				
Litigation	150,000	-	-	150,000
Working capital	616,202	-	-	616,202
Unassigned	129,849	-	-	129,849
Total fund balances	<u>1,530,601</u>	<u>437,669</u>	<u>5,232</u>	<u>1,973,502</u>
Total liabilities and fund balances	<u>\$ 1,690,648</u>	<u>\$ 437,669</u>	<u>\$ 20,167</u>	<u>\$ 2,148,484</u>

See notes to the financial statements

**GRAND HAVEN COMMUNITY DEVELOPMENT DISTRICT
 FLAGLER COUNTY, FLORIDA
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Project	
REVENUES				
Assessments	\$ 2,882,788	\$ 725,068	\$ -	\$ 3,607,856
Interest and other revenues	77,088	-	-	77,088
Total revenues	<u>2,959,876</u>	<u>725,068</u>	<u>-</u>	<u>3,684,944</u>
EXPENDITURES				
Current:				
General government	619,694	9,360	-	629,054
Maintenance and operations	1,752,111	-	-	1,752,111
Culture and recreational	653,610	-	-	653,610
Debt service:				
Principal	-	495,000	-	495,000
Interest	-	216,989	-	216,989
Capital outlay	100,606	-	14,935	115,541
Total expenditures	<u>3,126,021</u>	<u>721,349</u>	<u>14,935</u>	<u>3,862,305</u>
Excess (deficiency) of revenues over (under) expenditures	(166,145)	3,719	(14,935)	(177,361)
Fund balances - beginning	<u>1,696,746</u>	<u>433,950</u>	<u>20,167</u>	<u>2,150,863</u>
Fund balances - ending	<u>\$ 1,530,601</u>	<u>\$ 437,669</u>	<u>\$ 5,232</u>	<u>\$ 1,973,502</u>

See notes to the financial statements

**GRAND HAVEN COMMUNITY DEVELOPMENT DISTRICT
 FLAGLER COUNTY, FLORIDA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

Net change in fund balances - total governmental funds	\$ (177,361)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.	115,541
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(2,113,357)
The change in deferred revenue between current and prior year is recorded in the statement of activities but not in the fund financial statements.	(144,581)
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.	495,000
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.	
Amortization of bond issuance costs	(23,423)
Deferred amount on refunding	(20,810)
The change in accrued interest between current year and prior year is shown as an adjustment to interest expense on the statement of activities.	<u>9,670</u>
Net assets of governmental activities	<u>\$ (1,859,321)</u>

See notes to the financial statements

**GRAND HAVEN COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Grand Haven Community Development District ("District") was created March 3, 1997 by the Board of County Commissioners of Flagler County, Flagler County Ordinance 97-3, under the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes.

The Ordinance defines the boundaries of the District and provides among other things, the power to manage basic services for community development and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District is governed by the Board of Supervisors ("the Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the responsibility for:

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

Assessments are non-ad valorem assessments on certain land and all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January. 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.

Assessments and interest associated with the current fiscal period are all 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.

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.

Capital Project Fund

The capital project fund is used to account for financial resources to be used for the acquisition or construction of major infrastructure within the District

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has adopted a written investment policy, which complies with the requirements of Section 218.415 Florida Statutes. All investments comply with the requirements of the written investment policy. 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;
- e) Short-term Bond Funds.

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 as specified in the Bond Indenture.

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

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Infrastructure	15-25
Equipment	5-10

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

Deferred Charges

In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling \$426,900. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2012 the District reported accumulated amortization of \$136,578.

Deferred Amount on Refunding

For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred amount is offset again the new liability.

In connection with the refunding, the deferred amount on the refunding was \$228,907 and is being amortized over the life of the Bonds. Accumulated amortization of the deferred amount is \$83,240 at September 30, 2012.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Long-Term Obligations

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

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

Fund Equity/Net Assets

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Fund Equity/Net Assets (Continued)

The District can establish limitations on the use of fund balance as follows:

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

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

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

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Bond covenants or other contractual restrictions.

Other Disclosures

Use of Estimates

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

NOTE 3 – BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general 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 public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriations for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

The District's investments were held as follows at September 30, 2012:

	Fair Value	Credit Risk	Maturities
First American Treasury Obligations Fund Class Z	\$ 393,377	S&P AAAM	Weighted Average of the fund portfolio: 54 days
Wells Fargo Advantage Funds: 100% Treasury Money Market Fund	400,000	S&P AAAM	Weighted Average of the fund portfolio: 51 days
Investment in Local Government Surplus Trust Funds Investment Pool - Fund B	30,332	Not rated	*
Total Investments	\$ 823,709		

* The State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool ("Pool") was restructured on December 4, 2007 into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately 86% of Pool assets. Pool B consisted of assets that have either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B and certain restrictions were implemented. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool Fund A. Pool Fund B is not rated by any nationally recognized statistical rating agency. Pool A has been subsequently renamed as Florida PRIME and Pool B has subsequently been renamed as Fund B Surplus Funds Trust Fund ("Fund B").

There are two options for accounting and reporting for money market investment pools either "2a-7 like" or fluctuating net asset value ("NAV"). "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. Rule 2a-7 is the rule that allows money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions. The Local Government Surplus Funds Trust Fund Investment Pool (Florida PRIME) is considered a 2a7-like fund and the District has reported its investment in Florida PRIME at the same value as the pooled shares allocated to the District. The estimated weighted average maturity of the Florida PRIME portfolio is 39 days. Fund B is accounted for as a fluctuating NAV pool and the fair value factor for September 30, 2012 was .94896811. The District has multiplied its account balance by the factor to determine the investment balance to be reported. The NAV balance in Fund B was \$30,332 for a net unrealized loss of approximately (\$1,631). Due to the nature of the securities in Fund B, the weighted average maturity is not available. The weighted average life of the fund is estimated at 4.08 years. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

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 investments are not evidenced by securities that exist in physical or book entry form.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

The Bond Indenture limits the type of investments held for unspent bond proceeds.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 4,015,202	\$ -	\$ -	\$ 4,015,202
Total capital assets, not being depreciated	4,015,202	-	-	4,015,202
Capital assets, being depreciated				
Furniture, fixtures and equipment	250,125	100,606	-	350,731
Infrastructure - water control	763,133	-	-	763,133
Infrastructure - roadways & other	21,072,685	14,935	-	21,087,620
Infrastructure - recreational	14,700,289	-	-	14,700,289
Total capital assets, being depreciated	36,786,232	115,541	-	36,901,773
Less accumulated depreciation for:				
Furniture, fixtures and equipment	80,524	31,660	-	112,184
Infrastructure - water control	142,747	39,745	-	182,492
Infrastructure - roadways & other	6,393,892	1,058,773	-	7,452,665
Infrastructure - recreational	8,257,743	983,179	-	9,240,922
Total accumulated depreciation	14,874,906	2,113,357	-	16,988,263
Total capital assets, being depreciated, net	21,911,326	(1,997,816)	-	19,913,510
Governmental activities capital assets, net	\$ 25,926,528	\$ (1,997,816)	\$ -	\$ 23,928,712

The infrastructure intended to serve the District include roadways, potable water and wastewater systems, recreational facilities, and land improvements including wetland mitigation areas. A portion of the project costs was expected to be financed with the proceeds from the issuance of Bonds with the remainder to be funded by the Developer and conveyed to the District. Upon completion, certain portions of the potable and wastewater systems were conveyed to others in a prior year. The roadways and other infrastructure were acquired from the Developer in a prior year.

As discussed in Note 8, the Developer has declared bankruptcy and certain portions of the infrastructure improvements in one phase of the project have not been accepted by the District due to concerns related to the condition of the final work-product. However, the District has undertaken certain maintenance expenditures to upkeep the property.

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to function/programs as follows:

Maintenance and operations	\$ 1,130,178
Culture and recreational	983,179
Total depreciation expense	<u>\$ 2,113,357</u>

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2012 were as follows:

Fund	Receivable	Payable
General	\$ -	\$ 39,761
Debt service	39,761	-
Total	<u>\$ 39,761</u>	<u>\$ 39,761</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the District, the balances between the general fund and the debt service fund relate to assessments collected in the general fund that have not yet been transferred to the debt service fund.

NOTE 7 – LONG TERM LIABILITIES

At September 30, 2012 the District had Bond issues as follows:

Series	Issue Date	Original Face Amount	Interest Rate	Mandatory Redemption Beginning	Maturity
Special Assessment Bonds:					
Series 2004A	October 1, 2004	\$ 375,000	5.60%	May 1, 2006	May 1, 2019
Series 2008	May 1, 2008	5,755,000	4.64%	August 1, 2008	May 1, 2019

The Special Assessment Bond, Series 2004A was issued to finance the acquisition and construction of certain improvements for the District. The Series 2008 Bond was issued in a prior year to redeem the District's Special Assessment Revenue Bonds, Series 1997B.

Interest is to be paid semiannually for each Bond series on each May 1 and November 1. Principal is to be paid serially or in lump sum amounts pursuant to the Bond Indenture.

Each Bond Series is subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

Each Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds and the procedures to be followed by the District on assessments to property owners. In addition, the Bond Indenture for each Series requires the District to maintain certain reserve requirements. The District is in compliance with the requirements of the Bond Indentures at September 30, 2012.

NOTE 7 – LONG TERM LIABILITIES (Continued)

Long term debt transactions

Changes in long-term liability activity for the fiscal year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2004	\$ 245,000	\$ -	\$ (25,000)	\$ 220,000	\$ 25,000
Series 2008	4,380,000	-	(470,000)	3,910,000	485,000
Less: deferred amounts on refunding	(166,477)	-	20,810	(145,667)	-
Total	<u>\$ 4,458,523</u>	<u>\$ -</u>	<u>\$ (474,190)</u>	<u>\$ 3,984,333</u>	<u>\$ 510,000</u>

At September 30, 2012, the scheduled debt service requirements on the long - term debt were as follows:

	Governmental Activities		
	Principal	Interest	Total
2013	\$ 510,000	\$ 193,744	\$ 703,744
2014	540,000	169,840	709,840
2015	560,000	144,496	704,496
2016	585,000	118,224	703,224
2017	620,000	90,792	710,792
2018-2019	1,315,000	93,112	1,408,112
Total	<u>\$ 4,130,000</u>	<u>\$ 810,208</u>	<u>\$ 4,940,208</u>

NOTE 8 – DEVELOPER BANKRUPTCY

Grand Haven Developers, LLC (the “Developer”) is a wholly-owned subsidiary of LandMar Group, LLC, which is affiliated with Crescent Resources, LLC, which filed for bankruptcy protection on August 17, 2009. The Developer owns certain land within the District. As discussed in Note 6, certain portions of the construction project have not been accepted by the District due to concerns related to the condition of the final work-product. The District has incurred certain expenditures to maintain certain portions of these properties. The District has filed a proof of claim with the bankruptcy court, however, the ultimate outcome and impact on the District is not currently known. During the fiscal year 2012, the District wrote off approximately \$58,000 receivable due from the Developer.

NOTE 9 – SETTLEMENT

In December 2009, the District was served with a complaint. The Complaint seeks to recover \$465,000 arising from a construction contract on portions of the District’s capital improvement projects. Although the District holds an indemnity agreement with the Developer with regard to this contract, the prospects of recovering on the indemnity agreement are doubtful due to the Developer bankruptcy matters (see Note 8). During the current fiscal year, the District settled the claim for \$200,000.

NOTE 10 – MANAGEMENT COMPANY

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

NOTE 11 – RISK MANAGEMENT

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

**GRAND HAVEN COMMUNITY DEVELOPMENT DISTRICT
 FLAGLER COUNTY, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Budget - Favorable (Unfavorable)
REVENUES				
Assessments	\$ 2,859,925	\$ 2,882,788	\$ 2,882,788	\$ -
Interest and other revenues	53,850	109,745	77,088	(32,657)
Total revenues	<u>2,913,775</u>	<u>2,992,533</u>	<u>2,959,876</u>	<u>(32,657)</u>
EXPENDITURES				
Current:				
General government	387,676	614,962	619,694	(4,732)
Maintenance and operations	1,697,945	1,621,588	1,752,111	(130,523)
Culture and recreational	684,500	665,888	653,610	12,278
Capital outlay	143,654	269,509	100,606	168,903
Total expenditures	<u>2,913,775</u>	<u>3,171,947</u>	<u>3,126,021</u>	<u>45,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	(179,414)	(166,145)	13,269
OTHER FINANCING SOURCES				
Carry forward		179,414	-	(179,414)
Total other financing sources		<u>179,414</u>	<u>-</u>	<u>(179,414)</u>
Net change in fund balance		<u>\$ -</u>	(166,145)	<u>\$ (166,145)</u>
Fund balance - beginning			<u>1,696,746</u>	
Fund balance - ending			<u>\$ 1,530,601</u>	

See notes to required supplementary information

**GRAND HAVEN COMMUNITY DEVELOPMENT DISTRICT
FLAGLER COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2012 was amended to increase revenues by \$78,758 and increase appropriations by \$258,172. The increase in revenues is primarily the result of greater than anticipated assessments being collected due to fewer people taking advantage of the discount for early payment than expected and the increase in appropriations is primarily due to additional costs incurred that had not been previously budgeted for. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2012.

The variance between budgeted and actual general fund revenues for the current fiscal year was not considered significant.



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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
Grand Haven Community Development District
Flagler County, Florida

We have audited the financial statements of the governmental activities and each major fund of Grand Haven Community Development District, Flagler County, Florida ("District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 18, 2013. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended for the information of the management, Board of Supervisors of Grand Haven Community Development District, Flagler 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.

Grau & Associates

March 18, 2013



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

To the Board of Supervisors
Grand Haven Community Development District
Flagler County, Florida

We have audited the accompanying basic financial statements of Grand Haven Community Development District, Flagler County, Florida ("District") as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 18, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United State; and Chapter 10.550, Rules of the Florida Auditor General. 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 based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated March 18, 2013. Disclosures in that report should be considered in conjunction with this management letter.

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

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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This letter is intended for the information and use of management, Board of Supervisors of Grand Haven Community Development District, Flagler County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Grand Haven Community Development District, Flagler County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

Grau & Associates

March 18, 2013

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2011.

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

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

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2012.

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2012.

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

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
- b. Deficiencies in internal control that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2012.

REPORT TO MANAGEMENT (Continued)

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2012 financial audit report.
8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.