

Split Pine Community Development District

Financial Statements

March 2, 2010

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To the Board of Supervisors
Split Pine Community Development District
Duval County, Florida

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We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Split Pine Community Development District (hereinafter referred to as "District"), as of and for the period from October 1, 2009 through March 2, 2010, 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, each major fund, and the aggregate remaining fund information of the District as of March 2, 2010, and the respective changes in financial position for the period then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, during fiscal year 2010, the Florida Land and Water Adjudicatory Commission granted the petition of the District to merge with Tolomato Community Development District effective March 2, 2010. As a result of the merger, the District recognized a decrease of fund balances in the amount of approximately \$4.3 million with the transfer of assets and an increase in government-wide net assets of approximately \$1.6 million.

In accordance with Government Auditing Standards, we have also issued a report dated January 26, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in 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 on pages 2 through 6 and on page 20 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.

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

Miramar Beach, Florida
January 26, 2012

Management's Discussion And Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Split Pine Community Development District's financial performance provides an overview of the District's financial activities for the period ended March 2, 2010. Please read it in conjunction with the District's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- On March 2, 2010, the District merged with Tolomato Community Development District (Tolomato), at which time the assets and liabilities of the District were transferred to Tolomato.
- During the period ended March 2, 2010, the District incurred approximately \$863,000 of interest expenditures.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 7 – 8 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

Our analysis of the District as a whole begins on page 3. The Statement of Net Assets and the Statement of Activities report information about the District as a whole. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net assets and changes in them.

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 4. The fund financial statements begin on page 9 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

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

THE DISTRICT AS A WHOLE

The following table reflects the condensed Statement of Net Assets and is compared to the prior year.

	3/2/2010	9/30/2009	Change
Assets			
Current and other assets	\$ -	\$ 4,141,603	\$ (4,141,603)
Capital assets	-	26,831,456	(26,831,456)
Total assets	\$ -	\$ 30,973,059	\$ (30,973,059)
Liabilities			
Current liabilities	\$ -	\$ 1,243,256	\$ (1,243,256)
Other liabilities	-	32,420,000	(32,420,000)
Total liabilities	-	33,663,256	(33,663,256)
Net assets			
Invested in capital assets, net of related debt	-	(2,270,141)	2,270,141
Restricted for:			
Capital projects	-	155,553	(155,553)
Unrestricted	-	(575,609)	575,609
Total net assets (deficit)	-	(2,690,197)	2,690,197
Total liabilities and net assets	\$ -	\$ 30,973,059	\$ (30,973,059)

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

During the period ended March 2, 2010, total assets and liabilities decreased by approximately \$31 million and \$34 million, respectively. The decrease in assets and liabilities was due to the merger with Tolomato on March 2, 2010, at which time all assets and liabilities of the District were transferred.

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>Period and year ended, respectively</i>	3/2/10	9/30/09	Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,931,822	\$ 287,542	\$ 1,644,280
Grants and contributions	769	100,265	(99,496)
General revenues:			
Interest and other revenues	575	1,100	(525)
Total revenues	1,933,166	388,907	1,544,259
Expenses:			
Administrative	63,440	177,458	(114,018)
Environmental	4,740	5,391	(651)
Field	8,096	13,024	(4,928)
In-house landscaping	29,826	33,047	(3,221)
Recreational facilities	5,402	-	5,402
Roadway maintenance	2,391	44,825	(42,434)
Interest	730,152	1,751,154	(1,021,002)
Total expenses	844,047	2,024,899	(1,180,852)
<i>Extraordinary item - combination with Tolomato CDD</i>			
	1,601,078	-	1,601,078
Increase (decrease) in net assets	2,690,197	(1,635,992)	4,326,189
Net assets (deficit), beginning	(2,690,197)	(1,054,205)	(1,635,992)
Net assets (deficit), ending	\$ -	\$ (2,690,197)	\$ 2,690,197

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

For the period ended March 2, 2010, revenues increased and expenses decreased from the prior year by approximately \$1.5 and \$1.2 million, respectively. The increase in revenues was the result of capital interest funds being fully expended, and debt service assessments beginning in the current period. The decrease in expenses is primarily due to the merger with Tolomato on March 2, 2010, which also resulted in a gain of approximately \$1.6 million. The overall result was a \$2.7 million increase in net assets for the period ended March 2, 2010.

THE DISTRICT'S FUNDS

As the District completed the period, its governmental funds (as presented in the balance sheet on page 9) reported a combined fund balance of \$0, which is a decrease from last year's balance that totaled approximately \$3.4 million. Significant transactions are discussed below.

- On March 2, 2010, the District merged with Tolomato Community Development District (Tolomato), at which time the assets and liabilities of the District were transferred to Tolomato.

- During the period ended March 2, 2010, the District incurred approximately \$863,000 of interest expenditures.

The overall decrease in fund balance for the period ended March 2, 2010 totaled approximately \$3.4 million.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An Operating budget was established by the governing board for the District pursuant to the requirements of the Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown at page 20.

The District experienced an unfavorable variance in revenues as compared to the budget in the amount of \$104,670. Conversely, the District experienced a favorable variance in expenditures as compared to the budget in the amount of \$337,257. These differences are primarily a result of the District merging with Tolomato on March 2, 2010, which resulted in a partial year of activity.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At March 2, 2010, the District had \$0 invested in capital assets. This amount represents a net decrease (including additions and deductions) of approximately \$26.8 million from the fiscal year 2009 total.

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

	3/2/2010		9/30/2009	Change
Infrastructure under construction	\$	-	\$ 26,831,456	\$ (26,831,456)
Net capital assets	\$	-	\$ 26,831,456	\$ (26,831,456)

More information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At March 2, 2010, the District had \$0 of bonds outstanding. This amount represents a net decrease of \$32.9 million from the fiscal year 2009 total.

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

	3/2/2010		9/30/2009	Change
Series 2007A bonds	\$	-	\$ 32,885,000	\$ (32,885,000)
Total	\$	-	\$ 32,885,000	\$ (32,885,000)

More information about the District's long-term debt is presented in Note 5 to the financial statements.

FUTURE FINANCIAL FACTORS

Split Pine Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets operation and maintenance assessment rates.

During fiscal year 2009, the District and Tolomato filed a petition with the Florida Land and Water Adjudicatory Commission seeking to merge the two entities. The Commission granted the petition and the merger became effective on March 2, 2010. Effectively, Split Pine is now a part of Tolomato, and no longer exists as a singular legal entity.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Split Pine Community Development District

Statement of Net Assets

<i>March 2,</i>	2010
	Governmental Activities
Assets	
Cash and cash equivalents	\$ -
Total assets	-
Liabilities	
Accounts payable	-
Total liabilities	-
Net assets	
Unrestricted	-
Total net assets	\$ -

See accompanying notes to financial statements.

Split Pine Community Development District

Statement of Activities

Period ended March 2,

2010

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
Administrative	\$ (63,440)	\$ 166,532	\$ -	\$ -	\$ 103,092
Environmental	(4,740)	11,895	-	-	7,155
Field	(8,096)	20,817	-	-	12,721
In-house landscaping	(29,826)	77,319	-	-	47,493
Recreational facilities	(5,402)	14,869	-	-	9,467
Roadway maintenance	(2,391)	5,948	-	-	3,557
Interest and other revenues	(730,152)	1,634,442	702	67	905,059
Total governmental activities	\$ (844,047)	\$ 1,931,822	\$ 702	\$ 67	1,088,544
General revenues					
					29
					546
					1,601,078
					<u>1,601,653</u>
					2,690,197
					<u>(2,690,197)</u>
					<u>\$ -</u>

See accompanying notes to financial statements.

Split Pine Community Development District

Balance Sheet - Governmental Funds

<i>March 2,</i>	2010				Total Governmental Funds
	General	Debt Service	Non-major		
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	-
Total assets	\$ -	\$ -	\$ -	\$ -	-
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	-
Total liabilities	-	-	-	-	-
Fund balances					
Unreserved, undesignated	-	-	-	-	-
Total fund balances	-	-	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ -	-

See accompanying notes to financial statements.

Split Pine Community Development District

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

<i>Period ended March 2,</i>	2010			
	General	Debt Service	Non-major	Total Governmental Funds
Revenues				
Assessments	\$ 297,380	\$ 1,634,442	\$ -	\$ 1,931,822
Interest and other revenues	575	702	67	1,344
Total revenues	297,955	1,635,144	67	1,933,166
Expenditures				
Current:				
Administrative	63,440	-	-	63,440
Environmental	4,740	-	-	4,740
Field	8,096	-	-	8,096
In-house landscaping	29,826	-	-	29,826
Recreational facilities	5,402	-	-	5,402
Roadway maintenance	2,391	-	-	2,391
Debt service:				
Interest	-	863,231	-	863,231
Total expenditures	113,895	863,231	-	977,126
Excess of revenues over expenditures	184,060	771,913	67	956,040
Other Financing Sources (Uses)				
Transfer in	-	-	12,666	12,666
Transfer out	-	(12,666)	-	(12,666)
Total other financing sources (uses)	-	(12,666)	12,666	-
<i>Extraordinary item - combination with Tolomato CDD</i>	(327,456)	(3,813,955)	(168,286)	(4,309,697)
Net change in fund balances	(143,396)	(3,054,708)	(155,553)	(3,353,657)
Fund balances, beginning of year	143,396	3,054,708	155,553	3,353,657
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

Split Pine Community Development District

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

<i>Period ended March 2,</i>	2010
Net change in fund balances - governmental funds	\$ (3,353,657)
Amortization of bond issuance costs and original issue discount is not recognized in the governmental fund statement but is reported as an expense in the Statement of Activities.	(10,794)
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	143,873
The financial statement effect of the combination with Split Pine Community Development District differed between the government-wide and fund-level statements because of the different accounting bases underlying those statements.	5,910,775
Change in net assets of governmental activities	\$ 2,690,197

See accompanying notes to financial statements.

NOTE 1 – NATURE OF ORGANIZATION

The Split Pine Community Development District (the “District”) was established pursuant to Rule 42SS-1, Florida Administrative Code, adopted by the Florida Land and Water Adjudicatory Commission effective July 29, 2004. 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. Lands within the District consist of approximately 2,015 acres of the Nocatee Development of Regional Impact (the “Nocatee DRI”). Approximately 11,330 acres of the Nocatee DRI are located within St. Johns county.

The District is governed by a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. SONOC Company, LLC (“Master Developer”) is the master developer in the Nocatee DRI and is the landowner of substantially all of the lands in the Development, other than lands that it has sold or donated. The Master Developer has retained Nocatee Development Company (“NDC”) to provide comprehensive management of the Development. NDC’s shareholders are also principals in The PARC Group, Inc. (“PARC”), a real estate development company in Northeast Florida. The Chairman of the Board of Supervisors of the District is a shareholder of NDC, and certain members of the Board are employees of PARC. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

As described more fully in Note 3, the District merged with Tolomato Community Development District effective March 2, 2010.

The Board has the final responsibility for:

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

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP). The primary criteria for including organizations within the District’s reporting entity, as defined by the Governmental Accounting Standards Board (GASB) No. 14, is financial accountability. The District is financially accountable if it appoints a voting majority of the organization’s governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or a jointly appointed board. Based on the foregoing criteria, no potential component units were found.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and fund financial statements

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

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at March 2, 2010, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

The preparation of government-wide financial statements includes the application of both GASB pronouncements and those of the Financial Accounting Standards Board (FASB) issued before November 30, 1989.

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Assessments are levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. Operation and maintenance special assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon benefited lots and lands as described in the resolutions levying the special assessment securing each series of bonds issued by the District.

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

The District reports the following major governmental funds:

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

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

For the period ended March 2, 2010, the District does not report any proprietary funds.

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

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

Cash, Deposits and Investments

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

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

Upon being completed and placed into service, property, plant and equipment of the primary government will be depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Furniture and equipment	5
Recreational facilities	20
Roadways	20

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line or effective interest method. Bonds payable are reported net of premiums or discounts. Bond issuance costs are shown as deferred charges and are presented net of accumulated amortization.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Fund Equity

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

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. The caption “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 net assets restricted by the District’s bond covenants.

Budgets

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with generally accepted accounting principles for the general fund. Any revision to the budget over \$10,000 must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

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

- A. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- B. 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 over \$10,000 must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Split Pine Community Development District

Notes to Financial Statements

NOTE 3 – MERGER WITH TOLOMATO COMMUNITY DEVELOPMENT DISTRICT

As described in Note 1, a large portion of the lands within the Nocatee DRI were located in St. Johns County and were organized under the Tolomato Community Development District (Tolomato). The District and Tolomato previously entered into an Interlocal Agreement whereby the Districts jointly agreed to construct, manage, and finance the Joint Master Improvements. During fiscal year 2009, the District and Tolomato filed a petition with the Florida Land and Water Adjudicatory Commission seeking to merge the two entities. The Commission granted the petition and the merger became effective on March 2, 2010.

As a result of the merger, the District recognized a decrease of fund balances in the amount of approximately \$4.3 million with the transfer of assets and an increase in government-wide net assets of approximately \$1.6 million.

NOTE 4 – CAPITAL ASSETS

The District is adjacent to Tolomato, which is in St. Johns County, and is related to Tolomato through a common Developer. The District shares infrastructure improvement costs with Tolomato. The total projected cost of all of the infrastructure improvements is approximately \$438 million. As described in Note 3, The District and Tolomato previously entered into an Interlocal Agreement whereby the Districts jointly agreed to construct, manage, and finance the Joint Master Improvements. The District's portion had been estimated at \$48,000,000. The water and sewer infrastructure improvements along with certain other improvements will be conveyed to other entities upon completion.

As discussed in Note 3, the District merged with Tolomato on March 2, 2010 and consequently transferred the assets and liabilities to that district, including net capital assets totaling approximately \$26.8 million.

The following is a summary of changes in the capital assets for the period ended March 2, 2010:

	Beginning Balance	Additions	Reductions/ Conveyances	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Infrastructure under construction	\$ 26,831,456	\$ -	\$ (26,831,456)	\$ -
Total capital assets, not being depreciated	26,831,456	-	(26,831,456)	-
Governmental activities capital assets, net	\$ 26,831,456	\$ -	\$ (26,831,456)	\$ -

Split Pine Community Development District

Notes to Financial Statements

NOTE 5 – BONDS PAYABLE

On May 1, 2007, the District issued \$32,885,000 of Special Assessment Bonds, with a fixed interest rate of 5.25% due on May 1, 2039. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1. Principal is paid serially commencing on May 1, 2008 through May 1, 2039.

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 agreed to levy special assessments in annual amounts adequate to provide payment of debt service. The District is in compliance with the requirements of the Bond Indentures.

The Bond Indentures require that the District maintain adequate funds in the reserve account to meet the debt service reserve requirement as defined in the Indentures. The requirement has been met for the period ended March 2, 2010. As discussed in Note 3, the District merged with Tolomato on March 2, 2010 and consequently transferred the assets and liabilities to that district, including net Special Assessment Bonds totaling approximately \$32.9 million.

Long-term liability activity for the period ended March 2, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds Payable:					
Series 2007A	\$ 32,885,000	\$ -	\$ 32,885,000	\$ -	\$ -
	\$ 32,885,000	\$ -	\$ 32,885,000	\$ -	\$ -

NOTE 6 – RISK MANAGEMENT

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

NOTE 7 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

NOTE 8 – RELATED PARTY TRANSACTIONS

During the period ended March 2, 2010, the Master Developer was directly assessed approximately \$1.7 million to fund a portion of the District's operation and maintenance as well as certain debt service obligations.

NOTE 9 – INTERFUND TRANSFERS

During the period ended March 2, 2010, the District transferred \$12,666 from the Debt Service Fund to partially reimburse the Capital Projects (Non-major) Fund for construction bond funds used to help make the November 1, 2009 debt service interest payment due to inadequate funds in the capital interest account.

Required Supplemental Information
(Other Than MD&A)

Split Pine Community Development District

Budget to Actual Comparison Statement - General Fund

<i>Period ended March 2,</i>	2010		
	Original and Final Budget	Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget
Revenues			
Assessments	\$ 396,508	\$ 297,380	\$ (99,128)
Interest and other revenues	6,117	575	(5,542)
Total revenues	402,625	297,955	(104,670)
Expenditures			
Administrative	123,140	63,440	59,700
Environmental	14,085	4,740	9,345
Field	45,013	8,096	36,917
In-house landscaping	97,676	39,326	58,350
Recreational facilities	134,274	5,402	128,872
Roadway maintenance	48,364	4,291	44,073
Total expenditures	462,552	125,295	337,257
Excess (deficit) of revenues over expenditures	(59,927)	172,660	232,587
Special item - combination with Split Pine CDD	-	(327,456)	(327,456)
Fund balance, beginning of year	59,927	154,796	94,869
Fund balance, end of year	\$ -	\$ -	\$ -

Note to Budgetary Comparison Schedule

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Budgetary and Financial Statement Fund	Expenditures	Beginning Fund Balance
Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 125,295	\$ 154,796
Designated for landscape maintenance (In-house landscaping)	(9,500)	(9,500)
Designated for pump replacement (Roadway maintenance)	(1,900)	(1,900)
As reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 113,895	\$ 143,396

**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
Split Pine Community Development District
Duval County, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Split Pine Community Development District (hereinafter referred to as the "District"), as of and for the period ended March 2, 2010, which collectively comprise the District's basic financial statements and have issued our report dated January 26, 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

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 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 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 management, the Board of Supervisors, others within the District, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than those specified parties.

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

Miramar Beach, Florida
January 26, 2012



Carr, Riggs & Ingram, LLC
Certified Public Accountants
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MANAGEMENT LETTER

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To the Board of Supervisors
Split Pine Community Development District
Duval County, Florida

We have audited the financial statements of Split Pine Community Development District ("District") as of and for the period ended March 2, 2010, and have issued our report thereon dated January 26, 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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in this report which is dated January 26, 2012, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual audit report.

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

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

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address 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. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the period ended March 2, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the period ended March 2, 2010. In connection with our audit, we determined that these two reports were in agreement

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information of the District and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Carri Riggs & Ingram, L.L.C.

Miramar Beach, Florida
January 26, 2012