

10246

COLONIAL PINNACLE COMMUNITY  
DEVELOPMENT DISTRICT

Annual Financial Statements

As of and for the Initial Period Ended, June 30, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

4/21/10

MALCOLM M. DIENES, L.L.C.  
LEROY J. CHUSTZ, C.P.A.  
Certified Public Accountants



COLONIAL PINNACLE COMMUNITY  
DEVELOPMENT DISTRICT

Annual Financial Statements

As of and for the Initial Period Ended June 30, 2009

**Colonial Pinnacle Community Development District  
Annual Financial Statements  
As of and for the Initial Period Ended June 30, 2009  
With Supplemental Information Schedules**

**TABLE OF CONTENTS**

	<b>Statement</b>	<b>Page</b>
Independent Auditor's Report on the Basic Financial Statements .....		4
Required Supplemental Information (Part I):		
Management's Discussion and Analysis .....		7
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets .....	A	12
Statement of Activities .....	B	13
Fund Financial Statements:		
Governmental Funds Financial Statements:		
Balance Sheet .....	C	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	D	16
Statement of Revenues, Expenditures and Changes in Fund Balance .....	E	17
Reconciliation of the Changes in Fund Balance of the Governmental Funds to the Statement of Activities .....	F	18
Notes to the Financial Statements .....		20
Required Supplemental Information (Part II):		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual .....		37
Notes to the Budget .....		38
Report on Compliance and on Internal Control Structure Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....		39
Schedule of Findings and Questioned Costs .....		41
Schedule of Prior Year Audit Findings .....		43
Governance Letter .....		44

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**MALCOLM M. DIENES, L.L.C.**  
**LEROY J. CHUSTZ, C.P.A.**

Certified Public Accountants



**Independent Auditor's Report on the Basic Financial Statements**

Colonial Pinnacle Community Development District  
1001 Service Road East, Hwy. 190, Ste. 103  
Covington, LA 70433

We have audited the accompanying financial statements of the governmental activities and each major fund of the Colonial Pinnacle Community Development District (the District) as of and for the initial period ended June 30, 2009, 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 our opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Colonial Pinnacle Community Development District as of June 30, 2009, and the respective changes in financial position as of and for the initial period then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 14, the District has negative net assets of \$1,867,366.59 as of June 30, 2009. This raises substantial doubt about its ability to continue as a going concern. Management's plans regarding this matter are discussed in Note 17. In December 2009, the District transferred its infrastructure to St. Tammany Parish and redeemed all outstanding bonds with intentions to dissolve the District in 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2010, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, on pages 7 through 10, and the budget to actual comparison on page 37 of this report are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Malcom M. Dienes, LLC*  
Leroy J. Chustz, CPA  
Certified Public Accountants  
March 26, 2010

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**Required Supplemental Information (Part I)**  
**Management's Discussion and Analysis**

**Colonial Pinnacle Community Development District  
Management's Discussion and Analysis  
For the Initial Period Ended June 30, 2009  
(UNAUDITED)**

Our discussion and analysis of the Colonial Pinnacle Community Development District (the "District") financial performance provides an overview of the District's financial activity for the initial period ended June 30, 2009. It should be read in conjunction with the basic financial statements.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the initial period ending June 30, 2009 include the following:

- The liabilities of the District exceeded its assets at June 30, 2009 by \$1,867,366.59 (net assets) The majority of this amount is related to the acquisition of infrastructure, the issuance of bonds and the related bonds payable.

**OVERVIEW OF THE FINANCIAL STATEMENTS.** The MD&A is intended to serve as an introduction to the District's basic financial statements which are the government-wide financial statements, the fund financial statements and the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** are designed by GASB Statement 34 to change the presentation of governmental financial statements. It provides readers with an "entity-wide" Statement of Net Assets and Statement of Activities. This gives the user of the financial statements a board overview of the District's financial position and results of operations in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the District's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the District. Over time, increases or decreases in net assets helps determine whether financial position is *improving or deteriorating*.

The Statement of Activities provides information that shows how the District's net assets changed as a result of the year's activities. The statement uses accrual basis of accounting, similar to private-sector businesses. All changes in net assets are reported as soon as the underlying event giving rise to the revenue or expense occurs, regardless of when the cash is received or paid.

**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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District are governmental type funds. Governmental funds are used to account for essentially the same functions 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 at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. Because

the focus of the 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. Thus, the readers may get a better understanding of the long-term impact of the government'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 adopted an annual budget for the initial period ended June 30, 2009 .

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## FINANCIAL ANALYSIS OF THE DISTRICT

### STATEMENT OF NET ASSETS

	June 30 2009
<b>Current Assets</b>	
Cash & Cash Equivalents	\$14,099,979.74
Investments-Restricted	<u>2,053,466.80</u>
Total Current Assets	<u>16,153,446.54</u>
<b>Noncurrent Assets</b>	
Interest Receivable	-
Assessment Receivable	24,000,000.00
Plant, Property and Equipment (Net)	5,826,040.42
Underwriter's Discount	569,491.53
Cost of Issuance	<u>194,396.88</u>
Total Noncurrent Assets	<u>30,589,928.83</u>
Total Assets	<u>46,743,375.37</u>
<b>Current Liabilities</b>	
Interest Payable on Bonds	277,788.00
Current Portion of Debt	165,000.00
Current Payable	<u>332,953.96</u>
Total Current Liabilities	<u>775,741.96</u>

Non Current Liabilities	
Legal Fees Payable	-
Deferred Revenue	24,000,000.00
Bonds Payable	<u>23,835,000.00</u>
Total Non-current Liabilities	<u>47,835,000.00</u>
Total Liabilities	<u>48,610,741.96</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	739,254.68
Restricted for Capital Projects	129,959.30
Restricted for Debt Service	-
Unrestricted	<u>(2,736,580.57)</u>
Total Net Assets	<u>\$(1,867,366.59)</u>

## STATEMENT OF ACTIVITIES

The District provides infrastructure for the District and accounts for the related debt.

Sources of revenue for the District include bond proceeds, earnings on investments and assessments on property. The following condensed Statement of Activities shows the major sources of revenues and expenses.

	June 30, 2009
Interest Earned	\$ 284,891.86
Other Assessments	-
Assessments on Land	-
Total Revenues	<u>284,891.86</u>
Depreciation	24,633.73
Interest	2,009,330.08
Net Decrease in Fair Value of Investments	67,372.05
Trustee Fees	10,000.00
Bond Discount	30,508.47
Cost of Issuance	<u>10,414.12</u>
Total Expenses	<u>2,152,258.45</u>
(Decrease) in Net Assets	(1,867,366.59)
Net Assets, Beginning of Year	-
Net Assets, End of Year	<u>\$ (1,867,366.59)</u>

### **Revenue**

Interest and dividend earnings on investments were \$284,891.86. This is earnings on money in the trust money market accounts and money invested in government securities.

### **Expenses**

Depreciation expense was \$24,633.73. This reflects depreciation on the capital assets of the District. Interest on bonds reflects the amounts paid to satisfy debt service. Bond discount and bond issuance cost increased due to issuance of the bonds.

### **Budgetary Highlights**

The District adopted a budget for the initial period ended June 30, 2009. The actual revenues were \$178,392.14 less than budgeted. Actual expenditures were less than budgeted expenditures by \$2,084,864.72.

### **Capital Assets**

The District's investment in capital assets, net of depreciation was \$5,826,040.42 at June 30, 2009. This amount represents purchased land and infrastructure, net of depreciation.

### **Long Term Debt**

In 2008, the District issued \$24,000,000.00 Series 2008 Special Assessment Bonds to fund the construction, installation and acquisition of master infrastructure improvements within the District. At June 30, 2009 the amount of these bonds payable was \$24,000,000.00. The interest expense on the bonds was \$2,009,330.08 for the initial period ended June 30, 2009.

### **CURRENT AND EXPECTED CONDITIONS**

The District has negative net assets (liabilities exceed assets) of \$1,867,366.59 as of June 30, 2009. In December 2009, the District transferred its infrastructure to St. Tammany Parish and redeemed the bond issue. It is expected that the District will cease to exist in 2010.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Colonial Pinnacle Community Development District at 1001 Service Road East, Highway 190, Suite 103, Covington, LA 70433.

**Basic Financial Statements**  
**Government-Wide Financial Statements**

Colonial Pinnacle Community Development District  
Statement of Net Assets  
June 30, 2009

Statement A

**ASSETS**

*Current Assets*

Cash & Cash Equivalents - Restricted	\$ 14,099,979.74
Investments - Restricted	<u>2,053,466.80</u>
Total Current Assets	<u>16,153,446.54</u>

*Noncurrent Assets*

Interest Receivable	-
Assessments Receivable	24,000,000.00
Plant, Property and Equipment (Net)	5,826,040.42
Underwriter's Discount	569,491.53
Cost of Issuance	<u>194,396.88</u>
Total Noncurrent Assets	<u>30,589,928.83</u>

<b>Total Assets</b>	<u><u>46,743,375.37</u></u>
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**LIABILITIES**

*Current Liabilities*

Interest Payable on Bonds	277,788.00
Current Portion of Debt	165,000.00
Contract Payable	<u>332,953.96</u>
Total Current Liabilities	<u>775,741.96</u>

*Noncurrent Liabilities*

Deferred Revenue	24,000,000.00
Bonds Payable	<u>23,835,000.00</u>
Total Noncurrent Liabilities	<u>47,835,000.00</u>

<b>Total Liabilities</b>	<u>48,610,741.96</u>
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**NET ASSETS**

*Net Assets*

Invested in Capital Assets, Net of Related Debt	739,254.68
Restricted for Capital Projects	129,959.30
Restricted for Debt Service	-
Unrestricted	<u>(2,736,580.57)</u>
<b>Total Net Assets</b>	<u><u>\$ (1,867,366.59)</u></u>

The accompanying notes are an integral part of these financial statements.

Colonial Pinnacle Community Development District  
Statement of Activities  
For the Initial Period Ended June 30, 2009

Statement B

	Expenses	Program Revenues Operating Grants	Net Revenue (Expense) and Changes in Net Assets Governmental Activities
<i>Expenses</i>			
Governmental Activities -			
Bond Interest	\$ 2,009,330.08	\$ -	\$ 2,009,330.08
Cost of Issuance	10,414.12	-	10,414.12
Bond Discount	30,508.47	-	30,508.47
Net Decrease in Fair Value of Investments	67,372.05	-	67,372.05
Trustee Fee	10,000.00	-	10,000.00
Depreciation Expense	24,633.73	-	24,633.73
<b>Total Expenses</b>	<b>\$ 2,152,258.45</b>	<b>\$ -</b>	<b>\$ 2,152,258.45</b>
<i>General Revenues</i>			
Assessments on Lots			-
Other Assessments			-
Interest			284,891.86
<b>Total General Revenues</b>			<b>284,891.86</b>
<b>(Decrease) in Net Assets</b>			<b>(1,867,366.59)</b>
<b>Net Assets, Beginning of the Year</b>			<b>-</b>
<b>Net Assets, End of Year</b>			<b>\$ (1,867,366.59)</b>

The accompanying notes are an integral part of these financial statements.

**Basic Financial Statements**  
**Governmental Funds Financial Statements**

**Colonial Pinnacle Community Development District  
Balance Sheet  
Governmental Funds  
June 30, 2009**

**Statement C**

	Capital Projects	Debt Service	Total Governmental Funds
<b>Assets</b>			
Cash & Cash Equivalents - Restricted	\$ 13,256,106.75	\$ 843,872.99	\$ 14,099,979.74
Investments - Restricted	-	2,053,466.80	2,053,466.80
Assessments Receivable	-	24,000,000.00	24,000,000.00
<b>Total Assets</b>	13,256,106.75	26,897,339.79	40,153,446.54
<b>Liabilities &amp; Fund Balance</b>			
<b>Liabilities:</b>			
Deferred Revenue	-	24,000,000.00	24,000,000.00
Contract Payable	332,953.96	-	332,953.96
<b>Total Liabilities</b>	332,953.96	24,000,000.00	24,332,953.96
<b>Fund Balance:</b>			
Restricted for Debt Service	-	2,897,339.79	2,897,339.79
Restricted for Capital Projects	12,923,152.79	-	12,923,152.79
Unreserved	-	-	-
<b>Total Fund Balance</b>	12,923,152.79	2,897,339.79	15,820,492.58
<b>Total Liabilities &amp; Fund Balance</b>	\$ 13,256,106.75	\$ 26,897,339.79	\$ 40,153,446.54

The accompanying notes are an integral part of these financial statements.

**Colonial Pinnacle Community Development District  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Assets  
 June 30, 2009**

**Statement D**

**Total Fund Balances, Governmental Funds** \$ 15,820,492.58

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Governmental Capital Assets, Net of Accumulated Depreciation	5,826,040.42
Unamortized debt issue cost which are recorded as current expenditures in governmental activities	194,396.88
Unamortized bond discount cost which are recorded as current expenditures in governmental activities	569,491.53
Accrued professional fees not recorded in governmental activities	-
Accrued bond interest not recorded in governmental activities	(277,788.00)
Interest receivable not recorded in governmental activities	-
Current portion of debt not recorded in governmental activities	(165,000.00)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:

Bonds Payable	(23,835,000.00)
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<b>Net Assets, Governmental Activities</b>	<b>\$ (1,867,366.59)</b>
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The accompanying notes are integral part of these financial statements.

**Colonial Pinnacle Community Development District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Initial Period Ended June 30, 2009**

**Statement E**

	<u>Capital Projects Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Other Assessments	\$ -	\$ -	\$ -
Assessments on Lots	-	-	-
Interest Earned	129,959.30	154,932.56	284,891.86
Total Revenues	<u>129,959.30</u>	<u>154,932.56</u>	<u>284,891.86</u>
<b>Expenditures</b>			
<i>Current Expenditures:</i>			
<i>Capital Outlay:</i>			
Capital Outlay	5,850,674.15	-	5,850,674.15
<i>Debt Service:</i>			
Net Decrease in Fair Value of Investments	-	67,372.05	67,372.05
Interest	-	1,731,542.08	1,731,542.08
Trustee Fee	-	10,000.00	10,000.00
Bond Discount	-	600,000.00	600,000.00
Cost of Issuance	-	204,811.00	204,811.00
Total Expenditures	<u>5,850,674.15</u>	<u>2,613,725.13</u>	<u>8,464,399.28</u>
<b>Excess Revenues over Expenditures</b>	(5,720,714.85)	(2,458,792.57)	(8,179,507.42)
<b>Other Financing Sources</b>			
Transfers In	18,643,867.64	-	18,643,867.64
Transfers Out	-	(18,643,867.64)	(18,643,867.64)
Bond Proceeds	-	24,000,000.00	24,000,000.00
<b>Net Change in Fund Balance</b>	12,923,152.79	2,897,339.79	15,820,492.58
<b>Fund Balance, Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 12,923,152.79</u>	<u>\$ 2,897,339.79</u>	<u>\$ 15,820,492.58</u>

The accompanying notes are an integral part of these financial statements.

**Colonial Pinnacle Community Development District**  
**Reconciliation of the Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Initial Period Ended June 30, 2009**

**Statement F**

**Total Net Change in Fund Balances, Governmental Funds** **\$ 15,820,492.58**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:

Capital Outlay	5,850,674.15
Depreciation Expense	(24,633.73)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term debt in the statement of net assets

Proceeds from Long Term Debt	(24,000,000.00)
Principal on Bonds	-
Unamortized Bond Discount	569,491.53
Unamortized Bond Issuance Cost	194,396.88

Some revenue reported in the statement of activities do not provide current financial resources and therefore is not reported as revenue in governmental funds. These differences consist of:

Interest Receivable	-
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These differences consist of:

Accrued Interest	(277,788.00)
Legal Fees Payable	-

<b>Change in Net Assets, Governmental Activities</b>	<b><u>\$ (1,867,366.59)</u></b>
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The accompanying notes are integral part of these financial statements.

# Basic Financial Statements

## Notes to the Financial Statements

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements**  
**June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

"Community Development District" or "District" means a special District as provided in Article VI, Section 19 of the Constitution of Louisiana, which is created pursuant to this Chapter and limited to the performance of those specialized functions authorized by this Chapter, the boundaries of which are contained wholly within a single parish; the governing head of which is a body created, organized and constituted and authorized to function specifically as prescribed in this Chapter for the delivery of community development services; and the formation, powers, governing body, operation, duration, accountability, requirements for disclosure, and termination of, as required by general law.

**A. Reporting Entity**

Colonial Pinnacle Community Development District (the District), Parish of St. Tammany, State of Louisiana is a special district organized and existing under the provisions of Chapter 27-B of Title 33 of the Louisiana Statutes of 1950, as amended, specifically LA. RS. 33:9039.11 through 9039.37, inclusive (the "Act"), and pursuant to Ordinance Council Series No. 07-1508 duly adopted by the Council Members of the St. Tammany Parish Council, State of Louisiana, effective on January 7, 2007, as amended by Ordinance Series No. 07-1613 duly adopted by the Parish Council on June 29, 2007, as further amended by Ordinance Council Series No. 07-1700 duly adopted by the Parish Council on June 7, 2007 (collectively, the "Ordinance"); the District is comprised of and includes all of the immovable property situated within the described boundaries of the District.

The District is an entity administered by a Board of Supervisors ("Board") that acts as the authoritative and legislative body of the entity. The Board is comprised of five Board members, serving a term of four years. Of the five, two are elected as officers of the District: Chairman and Secretary.

The Board of Supervisors appoints the Chairman of the Board from existing Board members. The Chairman's responsibilities are to preside at all meetings of the Board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a Board, commission or business organization and exercise supervision over the business of the District, its officers and employees.

Members of the Board shall be known as supervisors and, upon entering into office, shall take an oath of office. They shall hold office for the term for which they were elected or appointed and until their successors are chosen and qualified. If, during the term of office, a vacancy occurs, the remaining members of the Board shall fill the vacancy by an appointment for the remainder of the unexpired term.

Pursuant to the provisions of the Act, the District is authorized to finance, fund, plan, establish, acquire, construct or reconstruct, enlarge, extend, equip, operate and maintain systems, facilities and basic infrastructure for the following: 1) water management and control for the lands on the District, including the connection of some or any of such facilities with road and bridges; 2) water supply, sewer and wastewater management, reclamation and refuse, or any combination thereof; 3) bridges or culverts that may be needed across any drain, ditch, canal, floodway, holding basin, excavation, public highway, tract, grade, fill or cut and roadways over levees and embankments and 4) roads and streets in the District.

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

The District is authorized by the Act to levy and collect non-ad valorem special assessments against all immovable property situated in the District that is subject to assessment as a result of the projects to finance, fund, plan, establish, acquire, construct or reconstruct, enlarge, extend, equip, operate and maintain systems, facilities and basic infrastructure for the District. The Board of the District shall exercise the powers granted to the District pursuant to this Chapter. The Board shall consist of five members and, except as otherwise provided herein, each member shall hold office for a term of four years and until a successor is chosen and qualifies. The initial members of the Board shall be residents of the state, and at least one of the initial members shall be a resident of the area immediately adjacent to the District. Commencing six years after the initial appointment of members, the positions of each member whose term has expired shall be filled by a qualified elector of the District, elected by the qualified electors of the district in accordance with Title 18 of the Louisiana Revised Statutes of 1950. However, in Districts consisting of a population of less than six hundred persons, the governing authority of the parish, or municipality that created the District, shall appoint members of the Board.

*A majority of the members of the Board constitutes a quorum for the purposes of conducting its business and exercising its powers and for all other purposes. Actions taken by the District shall be upon the vote of a majority of the members present unless general law or a rule of the District requires a greater number.*

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14 "The Financial Reporting Entity," in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body; and whether 1) the District's ability to impose its will over the organization or 2) the potential that the organization will provide a financial benefit to, or impose a financial burden, on the District. Using these criteria, the District has no component units.

**B. Government-Wide and Fund Financial Statements**

The government -wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the nonfiduciary activities of the District.

The statement of activities, demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) changes to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items, not properly included among program revenues, are reported as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. 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 liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

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 sixty-one days of the end of the current fiscal period*. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants, entitlements and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

**Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District has two governmental funds.

The District reports the following governmental funds:

**Debt Service Fund** - The Debt Service Fund accounts for the accumulation of financial resources for payment of interest and principal on the debt of the District.

**Capital Projects Fund** - The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

**Revenues and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the period in which the resources are measurable and become available. Available means that the resources will be collected within the current period or are expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the District, available means expected to be received within sixty-one days of fiscal year end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include: 1) timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; 2) matching requirements, in which the District must provide local resources to be used for a specific purpose; and 3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

**Expenses/Expenditures**

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

(expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

**D. Cash and Cash Equivalents**

The entity's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash received by the District is deposited into demand deposits and daily investment accounts. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Investments-Restricted." For presentation in the financial statements, investments in the Money Market Accounts are considered to be cash equivalents.

**E. Restricted Assets**

Restricted assets are cash, cash equivalents and investments whose use is limited by legal requirements. Restricted cash, cash equivalents and investments represent amounts required by debt covenant to be segregated for final year debt payment and accrued interest on the Bonds. Restricted cash, cash equivalents and investments also represent special assessment proceeds restricted for completion of the District's infrastructure projects. The Trustee, pursuant to the Master Indenture Agreement, has established accounts for the following purposes:

- a) *Interest Funds* - An account used to transfer funds to pay interest payments.
- b) *Principal Funds* - An account used to transfer funds to pay principal payments.
- c) *Debt Service Reserve Fund* - An account funded from bond proceeds used to replenish the interest and principal accounts in case of deficiency or to pay debt service if no other money is lawfully available (i.e. insurance proceeds).
- d) *Project Fund* - An account from which payments are made for cost of planning, financing, acquisition, construction, reconstruction, equipping and installation of the applicable Project. Before any disbursements are made from this fund, the Issuer must file with the Trustee a fully executed requisition.
- e) *Capitalized Interest Fund* - An account used to fund bond interest during the construction period.
- f) *Revenue Fund* - An account to which special assessments are deposited. These special assessments are not the prepayments which are deposited into the Prepayment Account.
- g) *Prepayment Fund* - An account in which prepaid assessments are deposited.
- h) *Rebate Fund* - An account used to make all rebate payments to the United States of America pursuant to the Arbitrage Rebate Covenants.
- i) *Bond Redemption Fund* - An account into which all funds from special assessments and any excess moneys remaining in the Series 2008 Acquisition and Construction Fund after completion of the project are deposited.
- j) *Administration Account* - An account in which funds from the Revenue Account and other amounts deposited with the Trustee, are used to pay administrative

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

expenses associated with the bond issue.

- k) *Cost of Issuance Fund* - An account from which payments are made for any issuance costs.
- l) *Bond Proceeds Fund* - An account to which bond proceeds are deposited.

Each bond issue has the following accounts, set up by the Trustee, and the amounts in these accounts are restricted to the use as the account indicates.

<b>2008 Bond Issue</b>	
Debt Service Reserve Fund	\$ 2,079,828.17
Project Fund	13,256,106.75
Capitalized Interest Fund	817,262.71
Administration Fund	248.75
Interest Fund	<u>0.16</u>
Total 2008 Bond Issue	<u><u>\$ 16,153,446.54</u></u>

**Reserve Requirement**

Per the Trust Indenture, the Debt Service Requirement is equal to the least of the following as adjusted for prepayments: 1) the maximum annual Debt Service Requirements for the Outstanding Bonds; 2) 125% of the average annual Debt Service Requirements for the Outstanding Bonds; or 3) 10% of the original proceeds of the Bonds. Based on the maximum annual Debt Service Requirement, the reserve requirement is as follows:

<u>Bond Issue</u>	<u>Date</u>	<u>Requirement</u>	<u>Book Value (Market)</u>	<u>Cost (Reserve Balance)</u>
2008	06/30/2009	\$2,094,415.00	\$2,079,828.17	\$2,119,890.23

The debt service reserve balance is calculated using the cost of the investments until such time that the instrument matures or is sold by the District.

**F. Interfund Transaction**

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

**G. Capital Assets**

General capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated</u>
Land, Right of Ways, Lakes and Ponds	N/A
Roads and Streets	40
Drainage	25
Landscaping	25
Utility Plants & Systems	25
Entrance	25

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

**I. Net Assets**

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

**J. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

**K. Assessment Methodology**

The District's Special Assessments are a type of non-ad valorem benefit special assessments which are levied against District Lands based upon the special benefit to accrue to such District lands as a result of the implementation of the Projects. Non-ad valorem assessments are not based upon millage and can become a lien against homestead property as permitted under the provisions of the Act. The methodology used to establish and determine the benefit special assessments, which will pay the cost of the Project, has been presented to and approved by the Board of Supervisors of the District and is set forth in the Assessment & Allocation Report prepared by Duplantis Design Group, PC (the Firm), a licensed engineering firm.

The Firm determined and established the special assessment that was levied against all assessable property in the District. The Firm determined that the assessments would be an amount sufficient to provide for the cost of the public improvements, a debt service reserve fund, capitalized interest, cost of issuance on the bonds and an administrative expense fee of up to \$30,000 per year.

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

Based on the Firm's report, the assessment is allocated as follows:

<u>Lot or Tract</u>	<u>Allocable Assessment</u>	<u>Description</u>
A	-0-	Dillard's Parcel
B	-0-	Kohl's Parcel
C	\$22,222,338.00	Lifestyle Center
D	-0-	Excluded
E	-0-	Outlots(included in C)
F	\$1,777,662.00	Outlots 413, 414

To the extent the single tax parcel is subdivided in the future, the assessment will be allocated based on the square foot area of the building for all property within the District, with the exception of the Dillard's Parcel, the Kohl's Parcel and property outside the interior ring road referred to as "outparcels." Outparcels will be assessed based on one-third of the total land area as opposed to building area because of: i) the higher demand on the road network; ii) the higher demand on drainage due to impermeable area; and, iii) the higher demand on water and sewer service as outlots are typically restaurants. The Dillard's Parcel and the Kohl's Parcel have been exempted from the Assessment as the pro rate cost of the public improvements have been deemed paid by the Developer.

**L. Prepaid Items**

Prepaid items reflect items that have been paid that benefit future periods.

**M. Special Bond Provisions**

The Series 2008 bonds are limited obligations of the District payable solely from and secured by the pledge and assignment of and lien upon the pledged revenues pursuant to the indenture and neither the property, the full faith and credit, nor the taxing power of the District, the Parish, the State of Louisiana, or any political subdivision thereof, is pledged as security for the payment of the Bonds, except that the District is obligated under the indenture and the Act to levy and to evidence and certify, or cause to be certified, for collection, special assessments to secure and pay the Bonds. The Bonds do not constitute an indebtedness of the District, the Parish, the State of Louisiana, or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation.

The Series 2008 Bonds authorized under the indenture and the obligation evidenced thereby shall not constitute a lien upon any property of the District, including, without limitation, the project, or any portion thereof, in respect of which such Bonds are being issued, or any part thereof, but shall constitute a lien only on the pledged revenues as set forth in the indenture. Nothing in the Bonds authorized under the indentures or in the indentures shall be construed as obligating the District to pay the Bonds, the redemption price thereof, or the interest thereon except from the pledged revenues, or as pledging the faith and credit of the District, the Parish or the State of Louisiana, or any political subdivision thereof, or as obligating the District, the Parish or the State of Louisiana or any of its political subdivisions, directly or indirectly or contingently, to levy (except for the special assessments levied by the District) or to pledge any form of taxation.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a state agency, the District is subject to various state laws and regulations.

The District complies with all state laws and regulations requiring the use of separate funds.

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

**3. CASH AND INVESTMENTS**

The District is authorized per the Trust Indenture, to make direct investments in: a) government obligations; or b) any short term government fund whose assets consist of: i) government obligations or; ii) bonds, debentures, notes or other evidences issued by any of the following agencies or such other government sponsored agencies which may presently exist or be created; provided that such bond, debentures, notes or other evidences of indebtedness are fully guaranteed as to both principal and interest by the United State of America:

Bank for Cooperative  
Federal Intermediate Credit Banks  
Federal Home Loan Bank System  
Export Import Bank of the United States  
Rural Economic Community Development Administration  
Farm Credit System Financial Assistance Corporation  
Small Business Administration  
Inter American Development Bank  
International Bank of Reconstruction and Development  
Federal Land Banks  
The Federal National Mortgage Association  
The Government National Mortgage Association  
The Tennessee Valley Authority  
The Washington Metropolitan Area Transit Authority

Moneys in the Debt Service Fund and in the Bond Redemption Fund shall be invested only in:

- a) Negotiable or non negotiable certificates of deposit, time deposits or other similar bank arrangements issued by any bank or trust company, including the Trustee, or any federal savings and loan associations, the deposits of which are insured by the Federal Deposit Insurance Corporation;
- b) Bank or broker repurchase agreements fully secured by securities of government obligations or securities listed as ii) in the proceeding paragraph;
- c) Any short term government funds whose assets consist of: 1) government obligations; 2) securities listed as ii) in the preceding paragraph; and, 3) direct and general obligations of any state of the United States, the payment of principal and interest on which the full faith and credit of such state is pledged, if at the time of purchase such obligations are rated in either of the two highest rating categories by S&P and Moody's;
- d) Certificates evidencing a direct ownership interest in non callable Government Obligations, or in the future interest or principal payments thereon, held in a custody account by a custodian satisfactory to the Trustee, and obligations of any state of the United States of America or any political subdivision, public instrumentality or public authority of any such state which are not subject to redemption prior to the date on which the proceeds attributable to the principal of such obligations are to be used and which are fully secured by and payable solely from non callable Government Obligations held pursuant to an escrow agreement satisfactory to the Trustee, provided that such obligations shall be rated in the highest rating category of Moody's and S&P;
- e) Shares of any open end, SEC registered money market mutual funds which invests its assets in government obligations, securities described as item ii) in the preceding paragraph or securities described in 3) of item c) above.

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

On April 17, 2008, the District invested \$2,092,385.80 of Debt Service Reserve Fund in Federal Home Loan Bank dated September 14, 2007, at 4.500% maturing on October 9, 2009. This investment was noncallable and had a market value of \$2,052,323.74 at June 30, 2009.

On April 17, 2008, the District invested Capital Interest Funds in the following manner:

<u>Security</u>	<u>Shares/ Par Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Cost</u>
Federal Home Loan Bank	765,000.00	4.625%	10/24/2008	\$774,945.00
Federal Home Loan Bank	760,000.00	2.350%	04/21/2009	\$760,000.00
Federal Home Loan Bank	821,130.00	4.500%	10/09/2009	\$846,836.30

The above securities are non callable.

On October 24, 2008, the \$774,945.00 Federal Home Loan Bank security matured at a market rate of \$765,000.00 resulting in a \$9,445.00 loss on investment. Due to the fact that this investment did not perform as anticipated, the District cashed in the \$760,000.00 Federal Home Loan Bank security on October 31, 2008, for \$755,940.62 for a loss of \$4,059.38. On April 29, 2009, the District cashed in \$845,670.92 of its \$846,836.30 investment resulting in a loss of \$13,283.29. At June 30, 2009, the cost of the remaining investment was \$1,165.38 and the market value was \$1,143.08 resulting in a loss of \$22.32.

Custodial risk is the risk that, in the event of failure by party holding the investment in their name, the District will not be able to recover the value of its investments in the possession of the defunct party. Credit concentration risk is the risk that due to the lack of diversification in the District's investment portfolio, the District's custodial risk is completely reliant on a single institution's performance. Interest rate risk is the risk that the interest rate may change due to market or other influences, significantly enough to lessen the value of the District's investment.

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year end. Category 1 provides for investments insured or registered, or securities held by the District or its agents in the District's name. Category 2 provides for uninsured and unregistered securities held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered, securities held by the counter party or by its trust department or agent but not in the District's name.

<u>Type of Investments</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>			<u>Not Required To Be Collateralized</u>	<u>Total Carrying Value</u>
		<u>1</u>	<u>2</u>	<u>3</u>		
Trust Accounts	\$14,099,979.74	-	-	-	\$14,099,979.74	\$14,099,979.74
Repurchase Agreements	2,053,466.80	-	-	-	2,053,466.80	2,053,466.80
Total	\$16,153,446.54	-	-	-	\$16,153,446.54	\$16,153,446.54

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

The District's Investments, excluding cash and cash equivalents at June 30, 2009, are summarized below:

Investment	Maturity Year	1 - 5 Years to Maturity
Federal Home Loan Bank	2009	\$ 2,053,466.80

**4. BENEFIT AND MAINTENANCE SPECIAL ASSESSMENTS**

Levy of Maintenance Special Assessment

There were no maintenance special assessments levied in initial period.

Levy of Benefit Special Assessments

The District's Special Assessments are a type of non-ad valorem benefit special assessments which are levied against District Lands based upon the special benefit to accrue to such District Lands as a result of the implementation of the Projects. Non-ad valorem assessments are not based upon millage and can become a lien against homestead property as permitted under the provisions of the Act.

Pursuant to the provisions of the Act, particularly Section 9039.29 (A), the Board determined, ordered, and levied the annual installment for year 2008 regarding the Special Benefit Assessments on all specially benefitted immovable property in the District, all as specified on the Assessment Schedule. The Board shall annually determine, order and levy the annual installment of the total benefit special assessments for bonds issued and related expenses to finance District facilities and projects which are levied under state law. These assessments may be due and collected during each year that parish taxes are due and collected, in which case such annual installment and levy shall be evidenced and certified to the assessor by the Board not later than August 31, of each year, and such assessment shall be entered by the assessor on the parish tax rolls, and shall be collected and enforced by the tax collector in the same manner and at the same time as parish taxes, and the proceeds thereof shall be paid to the District. The District Board has opted to collect its own assessments and does not utilize the parish assessor nor tax collector.

Enforcement of Lien Nonpayment

Collection of the Special Assessment levied under this Ordinance will be enforceable in the manner provided by law, particularly the provisions of Sections 9039.29 and 9039.30 of the Act. Special Assessments constitute a lien on the property against which assessed until paid and shall be on parity with the lien of state, parish, municipal and school board taxes. A lien in favor of the District arising under RS 33:9039.30 may be enforced by the District in a court of competent jurisdiction as provided by law. Such proceedings may be brought at any time after the expiration of one year from the date that any tax, or installment thereof, becomes delinquent.

**5. ASSESSMENTS RECEIVABLE**

The assessments levied for the 2008 Bonds were \$24,000,000. This represents the face value of the bonds.

The assessments levied have been accounted for in accounts receivable and deferred revenue. At the time the assessments are paid, the amount in the corresponding accounts are reduced by the payment.

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

The amount in assessments receivable at June 30, 2009, is as follows:

2008 Bond Issue	
Balance at Inception	\$ -
Initial Period Assessments	24,000,000.00
Paid During Initial Period	<u>-</u>
Balance of Assessment Receivable at June 30, 2009	<u>\$ 24,000,000.00</u>

**6. CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance at Inception	Increases	Decreases	Balance 06/30/09
Capital Assets Not Being Depreciated:				
Land for Infrastructure	\$ -	\$ 3,879,975.69	\$ -	\$ 3,879,975.69
Total Capital Assets Not Being Depreciated	<u>-</u>	<u>3,879,975.69</u>	<u>-</u>	<u>3,879,975.69</u>
Capital Assets Being Depreciated:				
Streets	<u>-</u>	1,970,698.46	<u>-</u>	1,970,698.46
Total Capital Assets Being Depreciated	<u>-</u>	<u>1,970,698.46</u>	<u>-</u>	<u>1,970,698.46</u>
Less: Accumulated Depreciation For:				
Streets	<u>-</u>	(24,633.73)	<u>-</u>	(24,633.73)
Total Accumulated Depreciation	<u>-</u>	<u>(24,633.73)</u>	<u>-</u>	<u>(24,633.73)</u>
Total Capital Assets Being Depreciated, Net	<u>-</u>	<u>1,946,064.73</u>	<u>-</u>	<u>1,946,064.73</u>
Total Capital Assets, Net	<u>\$ -</u>	<u>\$ 5,826,040.42</u>	<u>\$ -</u>	<u>\$ 5,826,040.42</u>

**7. BOND ISSUE AND BOND DISCOUNT COSTS**

Bond issuance and discount cost are amortized over the life of the Bonds using the straight-line method. The changes in Bond issuance and discounts are as follows:

	Cost of Discount Bond Series 2008			
	Balance at Inception	Additions	Deletions	Balance at 06/30/2009
2008 Bond Issue	\$ -	\$ 600,000.00	\$ -	\$ 600,000.00
Less: Amortization	<u>-</u>	<u>(30,508.47)</u>	<u>-</u>	<u>(30,508.47)</u>
Total	<u>\$ -</u>	<u>\$ 569,491.53</u>	<u>\$ -</u>	<u>\$ 569,491.53</u>

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

	<b>Bond Issuance</b>			
	<b>Bond Series 2008</b>			
	Balance at Inception	Additions	Deletions	Balance at 06/30/2009
2008 Bond Issue	\$ -	\$ 204,811.00	\$ -	\$ 204,811.00
Less: Amortization	-	(10,414.12)	-	(10,414.12)
<b>Total</b>	<b>\$ -</b>	<b>\$ 194,396.88</b>	<b>\$ -</b>	<b>\$ 194,396.88</b>

**8. LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during the period consist of:

	<b>Bond Series 2008</b>			
	Principal- Outstanding at Inception	Additions	Reductions	
2008 Bond Issue	\$ -	\$ 24,000,000.00	\$ -	\$ 24,000,000.00

**Future Requirements**  
**2008 Bond Issue**

<u>Initial Period Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 165,000.00	\$ 1,666,725.00	\$ 1,831,725.00
2011	177,000.00	1,655,587.50	1,832,587.50
2012	189,000.00	1,643,640.00	1,832,640.00
2013	202,000.00	1,630,882.50	1,832,882.50
2014	216,000.00	1,617,247.50	1,833,247.50
2015-2019	1,606,000.00	7,846,072.50	9,452,072.50
2020-2024	3,569,000.00	7,022,032.50	10,591,032.50
2025-2029	5,046,000.00	5,599,440.00	10,645,440.00
2030-2034	7,162,000.00	3,557,960.00	10,719,960.00
2035-2037	5,668,000.00	812,000.00	6,480,000.00
<b>Total</b>	<b>\$ 24,000,000.00</b>	<b>\$ 33,051,587.50</b>	<b>\$ 57,051,587.50</b>

This Board of Supervisors duly adopted resolutions on June 12, 2007, and March 17, 2008, authorizing the issuance of not exceeding \$24,000,000.00 aggregate principal amount of its Colonial Pinnacle Community Development District, St. Tammany Parish, State of Louisiana, Special Assessment Bonds, Series 2008, in one or more series, on one or more issuance dates (collectively, the "Bonds"), in order to pay all or a portion

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

of the design, acquisition and construction costs of certain infrastructure improvements from time to time constructed, established, or installed in the District, for the District. The Bonds will be issued pursuant to the Act and a Master Trust Indenture as entered into between the District and Hancock Bank, Baton Rouge, Louisiana as Trustee.

The Master Trust Indenture dated as of March 1, 2008, included provisions for the issuance of the Special Assessment Bonds, Series 2008, in the aggregate principal amount not to exceed \$24,000,000.00.

The Bond issue is collateralized by the pledged revenues of special assessments levied against the benefitted property. The District is not obligated in any manner for the special assessment debt.

2008 Bonds bear interest and mature as set forth below, subject to the right of prior redemption:

<u>PRINCIPAL AMOUNT</u>	<u>MATURITY DATE</u>	<u>INTEREST</u>
\$ 5,310,000.00	May 1, 2023	6.750%
\$ 18,690,000.00	May 1, 2037	7.000%

The Bonds maturing May 1, 2023, are subject to mandatory sinking fund redemption on May 1 in the years and in the principal amounts set forth below at a redemption price of 100% of their principal plus accrued interest to the date of redemption.

<u>Year (May 1)</u>	<u>Principal Amount of Bonds to be Paid</u>
2010	\$ 165,000.00
2011	177,000.00
2012	189,000.00
2013	202,000.00
2014	216,000.00
2015	231,000.00
2016	247,000.00
2017	265,000.00
2018	283,000.00
2019	580,000.00
2020	621,000.00
2021	664,000.00
2022	710,000.00
2023	760,000.00

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

The bonds maturing May 1, 2037, are subject to mandatory sinking fund redemption on May 1 in the years and in the principal amounts set forth below at a redemption price of 100% of their principal amount plus accrued interest to the date of redemption.

<u>Year (May 1)</u>	<u>Principal Amount of Bonds to be Paid</u>
2024	\$ 814,000.00
2025	873,000.00
2026	937,000.00
2027	1,004,000.00
2028	1,077,000.00
2029	1,155,000.00
2030	1,239,000.00
2031	1,329,000.00
2032	1,425,000.00
2033	1,529,000.00
2034	1,640,000.00
2035	1,759,000.00
2036	1,886,000.00
2037	2,023,000.00

At June 30, 2009, the District accrued legal fees payable in the amount of \$0.00

At June 30, 2009, the District accrued expenses under a construction contract in the amount of \$332,953.96 for work performed for the District (See Note 9).

**9. CONSTRUCTION COMMITMENTS**

On August 25, 2008, the District entered into a contract with Barriere Construction Company, LLC to perform construction work on Pinnacle Parkway and Access Roads. Contract amounts are as follows:

Amount of Original Contract	\$3,481,100.00
Total Earned Less Retainage	1,970,697.91
Balance to Finish Including Retainage	1,510,402.09
Retainage	103,720.90
Amount Payable	\$332,953.96

**10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, damage to, and theft or destruction, of assets, errors and omissions and natural disasters.

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

Pursuant to its contract with Barriere Construction for the Pinnacle Parkway Project, Barriere Construction had the District listed as a certificate holder on a policy dated July 1, 2008, and expiring July 1, 2009, for the following coverages:

Commercial General Liability	\$1,000,000.00
Products-Completed Operation	\$2,000,000.00
Auto Liability	\$1,000,000.00
Commercial Excess & Umbrella	\$5,000,000.00

The District also has fidelity bond insurance as noted in Note 15.

**11. RELATED PARTIES**

Certain Board members are employed by the Developer of the District.

**12. CONTINGENCIES**

As of June 30, 2009, according to legal counsel, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

**13. PER DIEM PAID TO BOARD MEMBERS**

Board Members of the District did not receive any per diem payments during Initial Period Ending June 30, 2009.

**14. NEGATIVE NET ASSETS**

The District has negative net assets (liabilities exceed assets) of \$1,867,366.59 as of June 30, 2009. This raises substantial doubt about it's ability to continue as a going concern. Management's plans regarding this matter are discussed in Note 17.

**15. FIDELITY BOND COVERAGE**

Section 9.24 of the Master Trust Indenture requires that every officer, agent or employee of the District having custody or control of any revenues pledged pursuant to the Master Trust Indenture be bonded by a responsible corporate surety in an amount not less than the greatest amount reasonably anticipated to be within the custody or control of such officer, agent or employee at one time.

On September 4, 2007, the District purchased a \$3,000,000.00 Public Officials Professional Liability policy from Darwin Select Insurance. The cost of the policy was \$5,195.00. The policy renewed on September 4, 2009.

**16. CHANGE IN FISCAL YEAR**

Pursuant to a resolution adopted June 9, 2009, the District changed its fiscal year from December 31 to June 30 effective for the initial period ending June 30, 2009.

**Colonial Pinnacle Community Development District**  
**Notes to the Financial Statements (continued)**  
**June 30, 2009**

**17. SUBSEQUENT EVENT**

On December 15, 2009, the developer redeemed all of the outstanding bonds in the principal amount of \$24,000,000.00. In an act of dedication and donation recorded in the St. Tammany Parish Clerk of Court's office on October 30, 2009, the District dedicated and donated to the Parish of St. Tammany certain right of ways, roadways and drainage. In a cash sale recorded December 15, 2009, the District sold CP Nord Du Lac JV, LLC, for \$2,546,000.00, the remaining right of ways, roadways and drainage that was not previously dedicated to St. Tammany Parish. It is the intention of the District to divest itself of any remaining assets and be dissolved by the Parish Council.

## Required Supplemental Information (Part II)

**Colonial Pinnacle Community Development District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Governmental Funds**  
**For the Initial Period Ended June 30, 2009**

Schedule 1

	Budgeted Amounts		Actual Amounts: GAAP Basis	Variance with Final Budget: Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Interest	\$ 288,284.00	\$ 288,284.00	\$ 284,891.86	\$ (3,392.14)
Other Assessments	175,000.00	175,000.00	-	(175,000.00)
Assessments on Lots	-	-	-	-
Bond Proceeds	24,000,000.00	24,000,000.00	24,000,000.00	-
<b>Total Revenues</b>	<u>24,463,284.00</u>	<u>24,463,284.00</u>	<u>24,284,891.86</u>	<u>(178,392.14)</u>
<b>Expenditures</b>				
Trustee Fees	10,000.00	10,000.00	10,000.00	-
Insurance	11,844.00	11,844.00	-	11,844.00
Per Diem & Mileage	2,500.00	2,500.00	-	2,500.00
Legal & Publishing	50,400.00	50,400.00	-	50,400.00
District Management	100,000.00	100,000.00	-	100,000.00
Loss on Investment	14,004.00	14,004.00	67,372.05	(53,368.05)
<i>Capital Outlay:</i>				
Capital Outlay	7,824,163.00	7,824,163.00	5,850,674.15	1,973,488.85
<i>Debt Service:</i>				
Cost of Issuance	204,811.00	204,811.00	204,811.00	-
Bond Discount	600,000.00	600,000.00	600,000.00	-
Principal on Bonds	-	-	-	-
Interest	1,731,542.00	1,731,542.00	1,731,542.08	(0.08)
<b>Total Expenditures</b>	<u>10,549,264.00</u>	<u>10,549,264.00</u>	<u>8,464,399.28</u>	<u>2,084,864.72</u>
<b>Excess Revenues over Expenditures</b>	<u>\$ 13,914,020.00</u>	<u>\$ 13,914,020.00</u>	<u>\$ 15,820,492.58</u>	<u>\$ 1,906,472.58</u>
<b>Net Change in Fund Balance</b>	13,914,020.00	13,914,020.00	15,820,492.58	
<b>Fund Balance, Beginning of Year</b>	-	-	-	
<b>Fund Balance, End of Year</b>	<u>\$ 13,914,020.00</u>	<u>\$ 13,914,020.00</u>	<u>\$ 15,820,492.58</u>	

The accompanying notes are integral part of these financial statements.

**Colonial Pinnacle Community Development District**  
**Notes to the Budget**  
**June 30, 2009**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Master Trust Indenture between the District and Hancock Baton, Baton Rouge Louisiana, Section 9.18, requires the District to adopt a budget as required by applicable law. The Trust Indenture further requires that " On or before the first day of each Initial Period the Issuer shall adopt a final Annual Budget with respect to each Project for such Initial Period for the payment of anticipated operating and maintenance expense and shall supply a copy of such budget promptly upon the approval thereof to the Trustee and to any Bondholders who shall have so requested in writing and shall have filed their names and addresses with the Secretary of the Board for such purpose."

The District adopted a budget on February 9, 2009.

The budget statement includes both the general and debt service fund transactions.

**MALCOLM M. DIENES, L.L.C.**  
**LERoy J. CHUSTZ, C.P.A.**

Certified Public Accountants



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

**Colonial Pinnacle Community Development District**  
1001 Service Road East, Hwy. 190, Ste. 103  
Covington, LA 70433

We have audited the financial statements of the governmental activities, and each major fund, of the Colonial Pinnacle Community Development District as of and for the initial period ended June 30, 2009, which collectively comprise the Colonial Pinnacle Community Development District's basic financial statements and have issued our report thereon dated March 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Colonial Pinnacle Community Development District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Colonial Pinnacle Community Development District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Colonial Pinnacle Community Development District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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## Compliance

As part of obtaining reasonable assurance about whether the Colonial Pinnacle Community Development 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 two instances of noncompliance that is required to be reported under *Government Auditing Standards* which is reported on the accompanying schedule of findings and questioned costs as item 2009-1 and 2009-2.

This report is intended solely for the information and use of management, Colonial Pinnacle Community Development District's Board of Directors, others within the entity, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Malcom M. Dienes, LLC*

Leroy J. Chustz, CPA

Certified Public Accountants

March 26, 2010

**Colonial Pinnacle Community Development District  
Schedule of Findings and Questioned Costs  
Initial Period Ended June 30, 2009**

We have audited the basic financial statements of the Colonial Pinnacle Community Development District as of and for the initial period ended June 30, 2009, and have issued our report thereon dated March 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2009, resulted in an unqualified opinion.

**Section I Summary of Auditor's Reports**

**A. Report on Internal Control and Compliance Material to the Financial Statements**

Internal Control

Material Weaknesses  Yes  No Significant Deficiencies  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

**2009-1 Timely Issuance of Audit**

The audit of the year ended June 30, 2009, should have been completed and issued by December 31, 2009. The audit was issued subsequent to the deadline. The District should complete and issue the audit within statutory requirements.

*Management's Response:* Management intends to review the requirements and comply in the future.

**2009-2 Adoption of Compliance Questionnaire**

The Louisiana Governmental Audit and Accounting Guide requires that all entities subject to the audit requirements of LRS 24:513 must prepare and adopt a prescribed compliance questionnaire. The Colonial Pinnacle Community Development District Board did not complete nor adopt the required questionnaire.

*Management's Response:* Management intends to prepare and adopt the prescribed compliance questionnaire in the future.

**B. Federal Awards  Not Applicable**

Internal Control

Material Weaknesses  Yes  No Reportable Conditions  Yes  No

Type of Opinion On Compliance Unqualified  Qualified   
For Major Programs Disclaimer  Adverse

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?  
 Yes     No

Was a management letter issued?     Yes     No

**C. Identification of Major Programs:**

**CFDA Number(s)**

**Name of Federal Program (or Cluster)**

Dollar threshold used to distinguish between Type A and Type B Programs:    \$ \_\_\_\_\_

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133?     Yes     No

**Section II Financial Statement Findings**

No Section II Findings.

**Section III Federal Award Findings and Questioned Costs**

No Section III Findings.

**Colonial Pinnacle Community Development District  
Status of Prior Year Findings and Questioned Costs  
For The Initial Period Ended June 30, 2009**

**Section I Internal Control and Compliance Material to the Financial Statements**

No Section I Findings.

**Section II Internal Control and Compliance Material to Federal Awards**

No Section II Findings.

**Section III Management Letter**

No Section III Findings.

**MALCOLM M. DIENES, L.L.C.**  
**LEROY J. CHUSTZ, C.P.A.**

Certified Public Accountants



To the Board of Supervisors of  
Colonial Pinnacle Community Development District

We have audited the financial statements of the governmental activities and each major fund of Colonial Pinnacle Community Development District for the initial period ended June 30, 2009, and have issued our report thereon dated March 26, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated October 26, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As a part of our audit, we considered the internal control of Colonial Pinnacle Community Development District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As a part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Colonial Pinnacle Community Development District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our responsibility for other information in documents containing the entity's financial statements and report does not extend beyond the financial information identified in the report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents, such as management's discussion and analysis and supplementary budgetary statements.

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### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our Entrance Memorandum about planning matters on February 5, 2010.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Colonial Pinnacle Community Development District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the Initial Period. We noted no transactions entered into by the governmental unit during the initial period for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation expense and useful life of capital assets is based on policy guidelines. We evaluated the key factors and assumptions used to develop the capital asset policy in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Assessment Methodology in Note 1 to the financial statements.

The disclosure of Benefit and Special Assessments in Note 4 to the financial statements.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No adjustments were identified in the course of our audit.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 26, 2010.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the members of the Board of Colonial Pinnacle Community Development District and its management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Malcom M. Dienes, LLC*

Leroy J. Chustz, CPA  
Certified Public Accountants  
March 26, 2010