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**Quantum Community Development District**  
Palm Beach County, Florida  

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INDEPENDENT AUDITOR’S REPORT

To the Board of Supervisors
Quantum Community Development District
Palm Beach County, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of Quantum Community Development District, Palm Beach County, Florida (the “District”) as of and for the fiscal year ended September 30, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2010, and the respective changes in financial position, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2011 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts, and agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and 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 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.

June 22, 2011

[Signature]
MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of Quantum Community Development District, Palm Beach County, Florida (the “District”) provides a narrative overview of the District’s financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the District’s Independent Auditor’s Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- Due to conveyance of capital assets from the District to others, the liabilities of the District exceeded its assets at the close of the fiscal year ended September 30, 2010 resulting in a net asset deficit balance of ($2,340,999).

- The change in the District’s total net assets in comparison with the prior year was $686,856, an increase. The key components of the District’s net assets and change in net assets are reflected in the table in the government-wide financial analysis section.

- At September 30, 2010, the District’s governmental funds reported combined ending fund balances of $164,831, a decrease of ($6,934) in comparison with the prior year. Of the total fund balance, $117,940 is reserved for debt service and $46,891 is unreserved fund balance which is available for spending at the District’s discretion.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund. The general fund is considered to be a major fund.

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity’s financial position. In the case of the District, due to the conveyance of capital assets from the District to others, liabilities exceeded assets at the close of the fiscal year ended September 30, 2010.

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

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEPTEMBER 30,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets, excluding capital assets</td>
<td>$218,925</td>
<td>$244,680</td>
</tr>
<tr>
<td>Total assets</td>
<td>218,925</td>
<td>244,680</td>
</tr>
<tr>
<td>Liabilities, excluding long-term liabilities</td>
<td>42,276</td>
<td>58,821</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>2,517,648</td>
<td>3,213,714</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,559,924</td>
<td>3,272,535</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>(2,492,422)</td>
<td>(3,182,047)</td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td>104,532</td>
<td>118,045</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>46,891</td>
<td>36,147</td>
</tr>
<tr>
<td>Total net assets (deficit)</td>
<td>$ (2,340,999)</td>
<td>$ (3,027,855)</td>
</tr>
</tbody>
</table>
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

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

The District’s net assets (deficit) decreased during the fiscal year ended September 30, 2010. The decrease represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

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

<table>
<thead>
<tr>
<th>CHANGES IN NET ASSETS</th>
<th>FOR THE FISCAL YEAR ENDED SEPTEMBER 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
</tr>
<tr>
<td>Program revenues</td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$927,845</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>-</td>
</tr>
<tr>
<td>General revenues</td>
<td>427</td>
</tr>
<tr>
<td>Total revenues</td>
<td>928,272</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>78,503</td>
</tr>
<tr>
<td>Interest</td>
<td>162,913</td>
</tr>
<tr>
<td>Total expenses</td>
<td>241,416</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>686,856</td>
</tr>
<tr>
<td>Net assets - beginning (deficit)</td>
<td>(3,027,855)</td>
</tr>
<tr>
<td>Net assets - ending (deficit)</td>
<td>$(2,340,999)</td>
</tr>
</tbody>
</table>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2010 was $241,416. The costs of the District’s activities were primarily funded by program revenues. Program revenues, comprised primarily of assessments, increased during the fiscal year as a result of an increase in the level of assessments.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The 2010 general fund budget was amended to increase revenues by $4,423 and decrease appropriations by $4,447. The increase in revenues is primarily the result of greater than anticipated assessments being collected due to fewer people taking advantage of the discount for early payment than originally budgeted and the decrease in appropriations is due primarily to anticipated costs which were not incurred in the current fiscal year. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2010.
CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
In a prior fiscal year the District conveyed all of its capital assets to Quantum Park Overlay Dependent District.

Capital Debt
At September 30, 2010, the District had $2,517,648 in loans outstanding. More detailed information about the District’s long-term debt is presented in the notes of the financial statements.

Contacting the District’s Financial Management
This financial report is designed to provide our citizens, landowners, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Quantum Community Development District’s management services at Special District Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410.
### QUANTUM COMMUNITY DEVELOPMENT DISTRICT
Palm Beach County, Florida
Statement of Net Assets
September 30, 2010

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 185,418</td>
</tr>
<tr>
<td>Receivables</td>
<td>8,281</td>
</tr>
<tr>
<td>Deferred charges</td>
<td>25,226</td>
</tr>
<tr>
<td>Total assets</td>
<td>218,925</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>11,337</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>13,408</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>17,531</td>
</tr>
<tr>
<td>Non-current liabilities:</td>
<td></td>
</tr>
<tr>
<td>Due within one year</td>
<td>733,822</td>
</tr>
<tr>
<td>Due in more than one year</td>
<td>1,783,826</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,559,924</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>(2,492,422)</td>
</tr>
<tr>
<td>Restricted for debt service</td>
<td>104,532</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>46,891</td>
</tr>
<tr>
<td>Total net assets (deficit)</td>
<td>$ (2,340,999)</td>
</tr>
</tbody>
</table>

See notes to the financial statements
QUANTUM COMMUNITY DEVELOPMENT DISTRICT  
PALM BEACH COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Program Revenues</th>
<th>Net (Expense) Revenue and Changes in Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expenses</td>
<td>Services</td>
</tr>
<tr>
<td>Primary government:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governmental activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$78,503</td>
<td>$767,208</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>162,913</td>
<td>160,637</td>
</tr>
<tr>
<td>Total governmental activities</td>
<td>241,416</td>
<td>927,845</td>
</tr>
<tr>
<td>General revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted investment earnings</td>
<td>427</td>
<td></td>
</tr>
<tr>
<td>Total general revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets - beginning (deficit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets - ending (deficit)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See notes to the financial statements
Major Fund   |   Total Governmental Fund
---|---
**General**

**ASSETS**

Cash 185,418 $   |   185,418 $
Receivables 8,281  |   8,281
**Total assets**   |   $ 193,699  |   193,699 $

**LIABILITIES AND FUND BALANCES**

Liabilities:

- Accounts payable 11,337 $   |   11,337 $
- Deferred revenue 17,531 |   17,531
**Total liabilities**   |   28,868  |   28,868 $

Fund balance:

Reserved for:

- Debt service 117,940  |   117,940 $

Unreserved, designated for:

- Subsequent year’s expenditures 41,408 |   41,408

Unreserved, reported in:

- General fund 5,483 |   5,483
**Total fund balance**   |   164,831  |   164,831 $

**Total liabilities and fund balance**   |   $ 193,699  |   193,699 $

**Fund balance - governmental funds**   |   $ 164,831 $

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

- Note issue costs used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds. The statements of net assets includes these costs, net of amortization.
  - Note issue costs 64,409
  - Accumulated amortization (39,183)  |   25,226

Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

- Accrued interest payable (13,408)
- Notes payable (2,517,648)  |   (2,531,056)
**Net assets of governmental activities**   |   $(2,340,999)$

See notes to the financial statements
### QUANTUM COMMUNITY DEVELOPMENT DISTRICT
**Palm Beach County, Florida**

#### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
**GOVERNMENTAL FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

<table>
<thead>
<tr>
<th>Major Fund</th>
<th>Total Governmental Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Fund</td>
</tr>
<tr>
<td>REVENUES</td>
<td></td>
</tr>
<tr>
<td>Assessments</td>
<td>$ 927,845 $</td>
</tr>
<tr>
<td>Interest</td>
<td>427</td>
</tr>
<tr>
<td>Total revenues</td>
<td>928,272 $</td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>78,503 $</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>696,066 $</td>
</tr>
<tr>
<td>Interest</td>
<td>160,637 $</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>935,206 $</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over (under) expenditures</td>
<td>(6,934) $</td>
</tr>
<tr>
<td>Fund balance - beginning</td>
<td>171,765 $</td>
</tr>
<tr>
<td>Fund balance - ending</td>
<td>$ 164,831 $</td>
</tr>
<tr>
<td>Net change in fund balance - total governmental fund</td>
<td>$ (6,934)</td>
</tr>
</tbody>
</table>

Amounts reported for governmental activities in the statement of activities are different because:
- Repayments of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities. 696,066
- Amortization of deferred charges is not recognized in the governmental fund statement, but is reported as an expense in the statement of activities. (6,441)
- The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements. 4,165

Change in net assets of governmental activities | $ 686,856

See notes to the financial statements
NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Quantum Community Development District ("District") was created on July 16, 1991, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by City of Boynton Beach, Florida Ordinance 091-48. 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. It is located along Interstate 95 in Boynton Beach, Florida and contains approximately 500 acres within the approximate 600 acres of Quantum Corporate Park.

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

The District is governed by the Board of Supervisors ("Board"), which is composed of four members. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. The owners of the property within the District elect the Supervisors on an at large basis. Ownership of land within the District entitles the owner to one vote per acre. At September 30, 2010 one of the Board members is affiliated with the Developer “Quantum Limited Partners, Ltd.”

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements
The basic financial statements include both government-wide and fund financial statements.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

Assessments are non-ad valorem assessments on all platted lots within the District. Assessments are levied each November 1 on property as of the previous January 1 to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the debt outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the loans which are not paid with prepaid assessments.

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

The District reports the following major governmental fund:

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

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity

Deposits and Investments
The District’s cash and cash equivalents are considered to be cash on hand and demand deposits.

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

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

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

Deferred Charges
In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling $64,409. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the loans. At September 30, 2010 the District reported accumulated amortization of $39,183.

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

Long-Term Obligations
In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight line method, which does not result in a material difference from the effective interest method. Loan payable are reported net of applicable premiums or discounts.

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

Fund Equity/Net Assets
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. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District’s loan agreements or other contractual restrictions.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Disclosures

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

NOTE 3 – BUDGETARY INFORMATION

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

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

a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
b) Public hearings are conducted to obtain landowner comments.
c) Prior to October 1, the budget is legally adopted by the District Board.
d) All budget changes must be approved by the District Board.
e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS

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

NOTE 5 – LONG TERM LIABILITIES

Note Payable 2002
The District obtained a note payable for $1,788,101 from a bank, the proceeds of which were to acquire certain land from the Developer. The note is due on August 1, 2012 and requires semiannual payments of principal and interest on each February 1 and August 1. The note accrues interest at a fixed rate of 5.99%. The note is secured by special assessments that the District is required to assess on the property owners.

Note Payable 2004
During the fiscal year ended September 30, 2004, the District obtained a note payable for $4,921,286 from a bank the proceeds of which were used to refund the Series 1994 Special Assessment Bonds. The note is due March 1, 2014 and requires principal payments on an annual basis commencing March 1, 2005 through March 1, 2014. The note accrues interest at 5.19% and requires semiannual payments on each March 1 and September 1.
NOTE 5 – LONG TERM LIABILITIES (Continued)

Long-term Debt Transactions
Changes in long-term liability activity for the fiscal year ended September 30, 2010 were as follows:

<table>
<thead>
<tr>
<th>Loans payable:</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note Payable - 2002</td>
<td>$649,209</td>
<td>-</td>
<td>$203,943</td>
<td>$445,266</td>
<td>$216,159</td>
</tr>
<tr>
<td>Note Payable - 2004</td>
<td>2,564,505</td>
<td>-</td>
<td>492,123</td>
<td>2,072,382</td>
<td>517,663</td>
</tr>
<tr>
<td>Governmental activity long-term liabilities</td>
<td>$3,213,714</td>
<td>-</td>
<td>$696,066</td>
<td>$2,517,648</td>
<td>$733,822</td>
</tr>
</tbody>
</table>

At September 30, 2010 the scheduled debt service requirements on the long-term debt were as follows:

<table>
<thead>
<tr>
<th>Year ending September 30:</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>733,822</td>
<td>120,794</td>
<td>854,616</td>
</tr>
<tr>
<td>2012</td>
<td>773,638</td>
<td>80,283</td>
<td>853,921</td>
</tr>
<tr>
<td>2013</td>
<td>572,792</td>
<td>37,565</td>
<td>610,357</td>
</tr>
<tr>
<td>2014</td>
<td>437,396</td>
<td>11,350</td>
<td>448,746</td>
</tr>
<tr>
<td>Total</td>
<td>$2,517,648</td>
<td>$249,992</td>
<td>$2,767,640</td>
</tr>
</tbody>
</table>

NOTE 6 – TRANSACTIONS WITH OTHER DISTRICTS

During the fiscal year ended September 30, 2010, the District received assessments of $22,708 collected by High Ridge/Quantum Community Development District (“High Ridge”) on behalf of the District. Also, the District collected assessments of $366,130 on behalf of Quantum Park Overlay Dependent District, including $26,804 which was originally collected by High Ridge.

NOTE 7 – DEFICIT FUND EQUITY

The District has a government-wide net asset financial deficit of ($2,340,999) as of September 30, 2010. There is no such deficit reflected in the governmental fund financial statements. The deficit in the government-wide statement of net assets primarily relates to the conveyance of capital assets to a related entity that were financed through the issuance of long-term debt. Those capital assets are not included in the assets of the District; however, the long-term debt associated with those assets remains a liability of the District.

NOTE 8 – MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.
NOTE 9 – 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; natural disasters; and environmental remediation. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE 10 – CONTINGENCIES

The District is involved in various claims and litigation arising in the ordinary course of operations during the current fiscal year, none of which, in the opinion of the Board’s attorney and District Manager, will have a material effect on the District’s financial position.
QUANTUM COMMUNITY DEVELOPMENT DISTRICT
PALM BEACH COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amount</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget - Favorable (Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td></td>
</tr>
<tr>
<td>REVENUES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessments</td>
<td>$ 912,339</td>
<td>$ 919,575</td>
<td>$ 927,845</td>
</tr>
<tr>
<td>Interest</td>
<td>3,240</td>
<td>427</td>
<td>427</td>
</tr>
<tr>
<td>Total revenues</td>
<td>915,579</td>
<td>920,002</td>
<td>928,272</td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>93,299</td>
<td>89,999</td>
<td>78,503</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>696,066</td>
<td>696,066</td>
<td>696,066</td>
</tr>
<tr>
<td>Interest</td>
<td>161,784</td>
<td>160,637</td>
<td>160,637</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>951,149</td>
<td>946,702</td>
<td>935,206</td>
</tr>
<tr>
<td>Excess (deficiency)</td>
<td>(35,570)</td>
<td>(26,700)</td>
<td>(6,934)</td>
</tr>
<tr>
<td>of revenues over</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>under) expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER FINANCING SOURCES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of sources</td>
<td>35,570</td>
<td>35,570</td>
<td>-</td>
</tr>
<tr>
<td>Net change in fund balance</td>
<td>-</td>
<td>$ 8,870</td>
<td>(6,934)</td>
</tr>
<tr>
<td>Fund balance - ending</td>
<td>$ 164,831</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

The legal level of budgetary control, the level at which expenditures may not exceed the budget is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The 2010 general fund budget was amended to increase revenues by $4,423 and decrease appropriations by $4,447. The increase in revenues is primarily the result of greater than anticipated assessments being collected due to fewer people taking advantage of the discount for early payment than originally budgeted and the decrease in appropriations is due primarily to anticipated costs which were not incurred in the current fiscal year. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2010.
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
Quantum Community Development District
Palm Beach County, Florida

We have audited the financial statements of the governmental activities and the major fund of Quantum Community Development District, Palm Beach County, Florida ("District") as of and for the fiscal year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 22, 2011. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

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

June 22, 2011
MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA

To the Board of Supervisors
Quantum Community Development District
Palm Beach County, Florida

We have audited the accompanying basic financial statements of Quantum Community Development District ("District") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated June 22, 2011.

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

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated June 22, 2011. Disclosures in that report should be considered in conjunction with this management letter.

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

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

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

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

June 22, 2011
REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

   There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2009.

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

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

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

   There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2010.

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

   There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2010.

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

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

   b. Deficiencies in internal control that are not significant deficiencies.

   There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2010.
REPORT TO MANAGEMENT (Continued)

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.

7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2010 financial audit report.

8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management’s responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.