

**TARA COMMUNITY DEVELOPMENT DISTRICT 1**

**FINANCIAL REPORT**

**Year Ended September 30, 2009**

TARA COMMUNITY DEVELOPMENT DISTRICT 1

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Year Ended September 30, 2009

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
*Tara Community Development District 1*  
Manatee County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of the *Tara Community Development District 1*, Manatee County, Florida, as of and for the year ended September 30, 2009, which collectively comprise the District's 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 an opinion on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the *Tara Community Development District 1*, Manatee County Florida, as of September 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the 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 a report dated December 28, 2009 on our consideration of the *Tara Community Development District 1*, Manatee County Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with the results of our audit.

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The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

*McDiernit Davis & Company, LLC*

December 28, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of *Tara Community Development District 1*, Manatee County, Florida's (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2009. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

### Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2009 by \$2,993,676, a decrease of \$10,902 in comparison with the prior year.
- At September 30, 2009 the District's governmental funds reported a combined fund balance of \$783,925, an increase of \$111,948 in comparison with the prior year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the *Tara Community Development District 1's* financial statements. The District's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include general government, physical environment and culture and recreation related functions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Fund Financial Statements

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

**Governmental Funds** - 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 government'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 three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds.

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

### Notes to 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

Statement of Net Assets - The District's net assets were \$2,993,676 at September 30, 2009. The following analysis focuses on the net assets of the District's governmental activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Government-Wide Financial Analysis (Continued):**

Tara Community Development District 1  
Statement of Net Assets

	<b>September 30, 2009</b>	<b>September 30, 2008</b>
	<hr/>	<hr/>
Assets, excluding capital assets	\$ 804,822	\$ 685,665
Capital assets, net of depreciation	<u>5,242,487</u>	<u>5,432,274</u>
Total assets	<hr/> <u>6,047,309</u>	<hr/> <u>6,117,939</u>
Liabilities, excluding long-term liabilities	108,633	103,361
Long-term liabilities	<u>2,945,000</u>	<u>3,010,000</u>
Total liabilities	<hr/> <u>3,053,633</u>	<hr/> <u>3,113,361</u>
Net assets:		
Invested in capital assets, net of related debt	2,297,487	2,422,274
Restricted for debt service	276,863	276,863
Unrestricted	<u>419,326</u>	<u>305,441</u>
Total net assets	<hr/> <u>\$ 2,993,676</u>	<hr/> <u>\$ 3,004,578</u>

The following is a summary of the District's governmental activities for the fiscal years ended September 30, 2009 and 2008.

Changes in Net Assets  
Year ended September 30,

	<b>2009</b>	<b>2008</b>
	<hr/>	<hr/>
Revenues:		
Program revenues	\$ 869,107	\$ 880,840
General revenues	<u>(169)</u>	<u>4,675</u>
Total revenues	<hr/> <u>868,938</u>	<hr/> <u>885,515</u>
Expenses:		
General government	96,490	126,000
Physical environment	506,882	506,855
Culture and recreation	63,190	57,784
Interest on long-term debt	<u>213,278</u>	<u>217,300</u>
Total expenses	<hr/> <u>879,840</u>	<hr/> <u>907,939</u>
Change in net assets	(10,902)	(22,424)
Net assets - beginning	<u>3,004,578</u>	<u>3,027,002</u>
Net assets - ending	<hr/> <u>\$ 2,993,676</u>	<hr/> <u>\$ 3,004,578</u>

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2009 was \$879,840. The majority of these costs are comprised of physical environment expenses and interest on long-term debt.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Analysis of the Government's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2009, the District's governmental funds reported combined ending fund balances of \$783,925. Of this total, \$220,630 is unreserved and available for spending at the District's discretion. The remainder of the fund balance, \$563,295 is reserved to indicate it has already been committed to pay debt service and capital project costs.

In the table below we have presented the cost of the functions/programs as a percentage of total governmental funds for the fiscal year ended September 30:

	<u>2009</u>		<u>2008</u>	
General government	\$ 96,490	13%	\$ 126,000	16%
Physical environment	325,426	43%	320,963	42%
Culture and recreation	54,859	7%	52,648	7%
Principal and interest on long-term debt	280,215	37%	268,790	35%
	<u>\$ 756,990</u>	<u>100%</u>	<u>\$ 768,401</u>	<u>100%</u>

As noted above, physical environment costs and principal and interest on long-term debt comprise the majority of expenditures for total governmental funds.

### General Fund Budgetary 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. There were no amendments to the September 30, 2009 general fund budget. The legal level of budgetary control is at the fund level.

### Capital Asset and Debt Administration

**Capital Assets** - At September 30, 2009, the District had \$5,242,487 invested in land and infrastructure, net of accumulated depreciation of \$1,512,055.

**Capital Debt** - At September 30, 2009, the District had \$2,945,000 in bonds outstanding as a result of the Bonds issued in 2000. More detailed information about the District's capital debt is presented in the notes to the financial statements.

### Requests for Information

If you have questions about this report or need additional financial information, contact the *Tara Community Development District 1's* Finance Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida, 33614.

## **FINANCIAL STATEMENTS**

TARA COMMUNITY DEVELOPMENT DISTRICT 1

**STATEMENT OF NET ASSETS**

September 30, 2009

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash	\$ 215,511
Investments	77,854
Interest receivable	3
Prepaid costs	24,145
Restricted assets:	
Temporarily restricted investments	487,309
Capital assets not being depreciated	215,000
Capital assets being depreciated, net	<u>5,027,487</u>
Total assets	<u>6,047,309</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	20,897
Accrued interest payable	87,736
Noncurrent liabilities:	
Due within one year	60,000
Due in more than one year	<u>2,885,000</u>
Total liabilities	<u>3,053,633</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	2,297,487
Restricted for debt service	276,863
Unrestricted	<u>419,326</u>
Total net assets	<u>\$ 2,993,676</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TARA COMMUNITY DEVELOPMENT DISTRICT 1

**STATEMENT OF ACTIVITIES**

Year Ended September 30, 2009

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenue</u></b>		<b><u>Governmental Activities</u></b>	<b><u>Net (Expense) Revenue and Changes in Net Assets</u></b>
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>		
Governmental activities:					
General government	\$ 96,490	\$ 84,390	\$ -	\$ -	\$ (12,100)
Physical environment	506,882	443,317	-	-	(63,565)
Culture and recreation	63,190	60,085	-	-	(3,105)
Interest on long-term debt	213,278	279,675	1,288	352	68,037
Total governmental activities	<u>\$ 879,840</u>	<u>\$ 867,467</u>	<u>\$ 1,288</u>	<u>\$ 352</u>	<u>(10,733)</u>
			General revenues:		
			Investment income (loss)		<u>(169)</u>
			Change in net assets		<u>(10,902)</u>
			Net assets - beginning		<u>3,004,578</u>
			Net assets - ending		<u>\$ 2,993,676</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TARA COMMUNITY DEVELOPMENT DISTRICT 1

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

September 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash	\$ 215,511	\$ -	\$ -	\$ 215,511
Investments	1,880	487,309	75,974	565,163
Interest receivable	-	3	-	3
Due from other funds	-	9	-	9
Prepaid costs	24,145	-	-	24,145
Total assets	<u>\$ 241,536</u>	<u>\$ 487,321</u>	<u>\$ 75,974</u>	<u>\$ 804,831</u>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 20,897	\$ -	\$ -	\$ 20,897
Due to other funds	9	-	-	9
Total liabilities	<u>20,906</u>	<u>-</u>	<u>-</u>	<u>20,906</u>
Fund balances:				
Reserved:				
Debt service	-	487,321	-	487,321
Capital projects	-	-	75,974	75,974
Unreserved	220,630	-	-	220,630
Total fund balances	<u>220,630</u>	<u>487,321</u>	<u>75,974</u>	<u>783,925</u>
Total liabilities and fund balances	<u>\$ 241,536</u>	<u>\$ 487,321</u>	<u>\$ 75,974</u>	

**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. 5,242,487

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

Accrued interest payable	(87,736)	
Bonds payable	(2,945,000)	<u>(3,032,736)</u>

**Net Assets of Governmental Activities** \$ 2,993,676

The accompanying Notes to Financial Statements are an integral part of this statement.

TARA COMMUNITY DEVELOPMENT DISTRICT 1

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

Year Ended September 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Special assessments	\$ 582,973	\$ 274,173	\$ -	\$ 857,146
Special assessments - prepayments	-	5,502	-	5,502
Investment income (loss)	(169)	1,288	352	1,471
Miscellaneous revenue	4,819	-	-	4,819
Total revenues	<u>587,623</u>	<u>280,963</u>	<u>352</u>	<u>868,938</u>
<b>Expenditures:</b>				
Current:				
General government	96,483	-	7	96,490
Physical environment	325,426	-	-	325,426
Culture and recreation	54,859	-	-	54,859
Debt service:				
Interest	-	215,215	-	215,215
Principal	-	65,000	-	65,000
Total expenditures	<u>476,768</u>	<u>280,215</u>	<u>7</u>	<u>756,990</u>
<b>Excess of Revenues Over Expenditures</b>	<u>110,855</u>	<u>748</u>	<u>345</u>	<u>111,948</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances	85,855	748	25,345	111,948
<b>Fund Balances - Beginning of Year</b>	134,775	486,573	50,629	671,977
<b>Fund Balances - End of Year</b>	<u>\$ 220,630</u>	<u>\$ 487,321</u>	<u>\$ 75,974</u>	<u>\$ 783,925</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TARA COMMUNITY DEVELOPMENT DISTRICT 1

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended September 30, 2009

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds (page 10)		\$ 111,948
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources; however, in the statement of net assets the cost of those assets is recorded as capital assets.		
	Capital outlay	29,068
	Depreciation expense	<u>(218,855)</u>
		(189,787)
Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net assets.		65,000
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.		
	Change in accrued interest	1,937
Change in net assets of governmental activities (page 8)		<u><u>\$ (10,902)</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

TARA COMMUNITY DEVELOPMENT DISTRICT 1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Special assessments	\$ 574,708	\$ 574,708	\$ 582,973	\$ 8,265
Investment income (loss)	-	-	(169)	(169)
Miscellaneous revenue	-	-	4,819	4,819
Total revenues	<u>574,708</u>	<u>574,708</u>	<u>587,623</u>	<u>12,915</u>
<b>Expenditures:</b>				
Current:				
General government	111,640	111,640	96,483	15,157
Physical environment	387,018	387,018	325,426	61,592
Culture and recreation	51,050	51,050	54,859	(3,809)
Total expenditures	<u>549,708</u>	<u>549,708</u>	<u>476,768</u>	<u>72,940</u>
Excess of Revenues Over Expenditures	25,000	25,000	110,855	85,855
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balance	-	-	85,855	85,855
Fund balance - beginning	134,775	134,775	134,775	-
Fund balance - ending	<u>\$ 134,775</u>	<u>\$ 134,775</u>	<u>\$ 220,630</u>	<u>\$ 85,855</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**

Year Ended September 30, 2009

**Note 1 - Summary of Significant Accounting Policies:**

**Reporting Entity**

The *Tara Community Development District 1*, (the "District") was established on December 14, 1999 by Manatee County Ordinance 99-58 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190 Florida Statutes. The Act provides among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and the power to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose 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 (the "Board"), which is composed of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. The Board consists of residents of the District.

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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Government-Wide and Fund Financial Statements**

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants, contributions and investment income that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). 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 recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):**

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 governmental funds:

**General Fund** - is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Debt Service Fund** - accounts for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt.

**Capital Projects Fund** - accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, Liabilities and Net Assets or Equity**

**Restricted Assets** - These assets represent cash and investments set aside pursuant to bond covenants.

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

Investments of the District are reported at fair value. The District's investments consist of investments authorized per their investment policy adopted in accordance with Section 218.415, Florida Statutes.

**Inventories and Prepaid Items** - Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**Note 1 - Summary of Significant Accounting Policies (Continued):**

**Assets, Liabilities and Net Assets or Equity (Continued):**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure and recreational facilities	15
Equipment, furniture and fixtures	5

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 expenditures.

**Fund Equity - Net Assets** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations 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 statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's bond covenants.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**Note 1 - 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 2 - Stewardship, Compliance and Accountability:**

**Budgetary Information**

The District is required to establish a budgetary system and an approved annual budget for the General Fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors.

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

1. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. All budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**Note 3 - Deposits and Investments:**

**Deposits**

At year-end, the carrying amount of the District's deposits was \$215,511 and the bank balance was \$215,617. The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

**Investments**

Investments are stated at fair value, which is the amount for which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value is based on quoted market prices. Changes in the fair value of investments are recognized as revenue and included in investment revenue. Investment revenue is recognized as earned and is recorded in the respective funds related to the investment activity.

The District's investment policies are governed by State Statutes and the District Trust Indenture. The District investment policy allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized investments are:

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Savings accounts and certificates of deposit in state-certified qualified public depositories;
4. U.S. Government Agency Securities and U.S. Treasury Bills, Notes and Bonds;
5. Short-term bond funds investing in U.S. Government securities or U.S. Government Agency Securities;
6. Securities of registered investment companies (mutual funds) that are limited to obligations of the U.S. Government or any agency or instrumentality thereof.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**Note 3 - Deposits and Investments (Continued):****Investments (Continued):**

The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7-like fund for the Florida Prime Fund. Therefore, the pool account balance can be used as fair value for financial reporting. Fund B is accounted for as a fluctuating NAVPOOL, not a 2a-7-like money market fund.

Investments made by the District at September 30, 2009 are summarized below. In accordance with GASB 31, investments are reported at fair value.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
First American Treasury Obligations Fund	\$ 563,283	AAAm	47 days
Local Government Investment Pool (Florida Prime)	477	AAAm	36 days
Local Government Investment Pool (Fund B)	1,403	Not rated	7 to 9 years
	<u>\$ 565,163</u>		

**Credit Risk:**

The District's investment policy limits credit risk by restricting authorized investments to those described. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating.

**Custodial Credit Risk:**

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2009, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2009, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**Note 3 - Deposits and Investments (Continued):**

**Investments (Continued):**

Concentration of Credit Risk:

The District's investment policy does not specify limits on the amount the District may invest in any one issuer.

Interest Rate Risk:

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

**Note 4 - Interfund Receivables, Payables and Transfers:**

The general fund owes the debt service fund \$9 at September 30, 2009 for debt service assessments collected.

During the year, \$25,000 was transferred from the general fund to the capital projects fund for future capital expenditures as appropriated from the general fund budget.

TARA COMMUNITY DEVELOPMENT DISTRICT 1

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**Note 5 - Capital Assets:**

Capital asset activity for the year ended September 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 215,000	\$ -	\$ -	\$ 215,000
Capital assets being depreciated:				
Infrastructure	5,897,249	15,613	-	5,912,862
Recreational facilities	613,225	-	-	613,225
Equipment, furniture and fixtures	-	13,455	-	13,455
Total capital assets being depreciated	<u>6,510,474</u>	<u>29,068</u>	<u>-</u>	<u>6,539,542</u>
Less accumulated depreciation for:				
Infrastructure	(1,173,350)	(197,069)	-	(1,370,419)
Recreational facilities	(119,850)	(20,441)	-	(140,291)
Equipment, furniture and fixtures	-	(1,345)	-	(1,345)
Total accumulated depreciation	<u>(1,293,200)</u>	<u>(218,855)</u>	<u>-</u>	<u>(1,512,055)</u>
Total capital assets being depreciated, net	<u>5,217,274</u>	<u>(189,787)</u>	<u>-</u>	<u>5,027,487</u>
Governmental activities capital assets, net	<u>\$ 5,432,274</u>	<u>\$ (189,787)</u>	<u>\$ -</u>	<u>\$ 5,242,487</u>

Depreciation expense for 2009 consisted of \$197,069 charged to physical environment and \$21,786 charged to culture and recreation.

All major infrastructure improvements for the District have been completed.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**Note 6 - Long-Term Liabilities:**

On August 3, 2000, the District issued \$13,255,000 of Special Assessment Revenue Bonds, Series 2000 consisting of \$3,460,000 Term Bonds Series 2000A due May 1, 2031 with a fixed interest rate of 7.15% and \$9,795,000 Term Bonds Series 2000B due on May 1, 2010 with a fixed interest rate of 6.75%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. Interest is paid semiannually on each May 1 and November 1. Principal on the Series 2000A Bonds is paid annually commencing May 1, 2002 through May 1, 2031. The 2000B Bonds were paid off during the fiscal year ended September 30, 2005.

The Series 2000A Bonds are subject to redemption at the option of the District, in whole or in part at anytime on or after May 1, 2010 at a redemption price set forth in the Bond Indenture. These Bonds are also subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. The requirement has been met at September 30, 2009.

The Bond Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the Series 2000 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is in compliance with the requirements of the Bond Indenture.

Total principal and interest remaining on the Series 2000 Revenue Bonds as of September 30, 2009 was \$5,857,197. For the year ended September 30, 2009, principal and interest paid was \$280,215 and total special assessment revenue pledged for the year was \$279,675.

Long-term debt activity for the year ended September 30, 2009 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Bonds payable:					
Series 2000	\$ 3,010,000	\$ -	\$ 65,000	\$ 2,945,000	\$ 60,000
Special assessment debt with District commitment	3,010,000	-	65,000	2,945,000	60,000
Governmental activity long- term liabilities	<u>\$ 3,010,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 2,945,000</u>	<u>\$ 60,000</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Year Ended September 30, 2009

**Note 6 - Long-Term Liabilities (Continued):**

At September 30, 2009, the scheduled debt service requirements on the bonds payable were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 60,000	\$ 210,568
2011	65,000	206,278
2012	70,000	201,630
2013	75,000	196,625
2014	80,000	191,263
2015-2019	500,000	861,218
2020-2024	715,000	654,225
2025-2029	1,025,000	357,500
2030-2031	355,000	32,890
	<u>\$ 2,945,000</u>	<u>\$ 2,912,197</u>

**Note 7 - Developer Transactions:**

The Developer paid debt service assessments of \$55,705 and operating and maintenance assessments of \$30,076 related to the golf course, which they owned at October 1, 2008. The total of these assessments represents 10% of total assessment revenue.

**Note 8 - Management Company:**

The District has contracted with a management company to perform management advisory services, which include financial advisory and accounting services. Certain employees of the management company also serve as officers (Board appointed, non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting and other administrative costs. The total paid to the management company in the current fiscal year totaled \$46,890.

**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; and natural disasters. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage since inception of the District.

**COMPLIANCE SECTION**

**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  
*Tara Community Development District 1*  
Manatee County, Florida

We have audited the financial statements of *Tara Community Development District 1* (the "District") as of and for the year ended September 30, 2009, and have issued our report thereon dated December 28, 2009. 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 opinion 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 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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District'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 District'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.

MCDIRMIT DAVIS & COMPANY, LLC  
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801  
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

### Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Supervisors, 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.

*McDiernit Davis & Company, LLC*

December 28, 2009

## MANAGEMENT COMMENTS

Board of Supervisors  
*Tara Community Development District 1*  
Manatee County, Florida

We have audited the financial statements of *Tara Community Development District 1*, as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated December 28, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated December 28, 2009 should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida, and unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that *Tara Community Development District 1* complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any comments.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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- Section 10.554(1)(i)5., Rules of the Auditor General, requires based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the *Tara Community Development District 1* did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the *Tara Community Development District 1* for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. We determined that these two reports are in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's 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.

This management letter is intended solely for the information of the *Tara Community Development District 1* and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*McDiernit Davis & Company, LLC*

December 28, 2009