

**HARMONY  
COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2009**

**HARMONY COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Harmony Community Development District  
Osceola County, Florida


We have audited the accompanying financial statements of the governmental activities and each major fund of Harmony Community Development District, Osceola County, Florida (the "District") as of and for the fiscal year ended September 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2009, 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 July 26, 2010, 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 other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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



July 26, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Harmony Community Development District, Osceola County, Florida's ("District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a net asset balance of \$(11,039,046).
- The change in the District's total net assets in comparison with the prior fiscal year was \$97,382, 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 statements analysis section.
- At September 30, 2009, the District's governmental funds reported combined ending fund balances of \$3,766,330, a decrease of (\$40,987) in comparison with the prior year. Of the total fund balance, a portion is reserved for debt service and other items and the remainder is unreserved 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.

#### 1) Government-Wide Financial Statements

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

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

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

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

#### 2) 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)

### 2) Fund Financial Statements (Continued)

#### Governmental Funds

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

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

The District currently maintains four individual governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service 2001, debt service 2004, and capital projects funds. All of the funds are considered to be major funds.

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

### 3) Notes to the Financial Statements

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

## FINANCIAL ANALYSIS OF GOVERNMENT-WIDE INFORMATION

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, liabilities exceeded assets at the close of the most recent fiscal year.

A portion of 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 District's Bond Indentures. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE INFORMATION (Continued)

Key components of the District's net assets were as follows:

		NET ASSETS	
		SEPTEMBER 30,	
		2009	2008
Assets, excluding capital assets	\$	4,443,647	\$ 4,471,578
Capital assets, net of depreciation		16,330,591	16,741,337
Total assets		<u>20,774,238</u>	<u>21,212,915</u>
Liabilities, excluding long-term liabilities		988,284	1,029,343
Long-term liabilities		30,825,000	31,320,000
Total liabilities		<u>31,813,284</u>	<u>32,349,343</u>
Net Assets			
Invested in capital assets, net of related debt		(13,756,250)	(13,775,219)
Restricted for debt service and other items		2,315,780	2,284,488
Unrestricted		401,424	354,303
Total net assets (deficit)	\$	<u>(11,039,046)</u>	<u>\$ (11,136,428)</u>

The change in the District's total net assets during the most recent fiscal year was an increase. The majority of the change represents the degree to which ongoing revenues exceeded the cost of operations, including depreciation, and interest on the District's long-term debt.

The key elements of the District's change in net assets are reflected in the following table:

		CHANGES IN NET ASSETS	
		FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
		2009	2008
Revenues:			
Program revenues	\$	4,247,565	\$ 4,240,511
General revenues		2,832	13,771
Total revenues		<u>4,250,397</u>	<u>4,254,282</u>
Expenses:			
General government		234,428	199,109
Maintenance and operations		1,553,708	11,627,550
Parks and recreation		163,750	123,276
Interest		2,201,129	2,233,958
Total expenses		<u>4,153,015</u>	<u>14,183,893</u>
Change in net assets		<u>97,382</u>	<u>(9,929,611)</u>
Net assets (deficit), beginning		(11,136,428)	(1,206,817)
Net assets (deficit), ending	\$	<u>(11,039,046)</u>	<u>\$ (11,136,428)</u>

Program revenues were comprised primarily of assessments for both the most recent and preceding fiscal years.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The general fund includes all activities related to providing management and operating services.

In the table below we have presented the cost of the largest functions/programs as a percentage of total governmental funds.

	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,			
	2009		2008	
General government	\$ 234,428	6%	\$ 199,109	4%
Maintenance and operations	1,221,020	28%	1,192,205	23%
Parks and recreation	40,474	1%	-	0%
Interest and principal on long-term debt	2,689,550	64%	2,701,794	58%
Capital outlay	45,218	1%	113,427	15%
Total	<u>\$ 4,230,690</u>	<u>100%</u>	<u>\$ 4,206,535</u>	<u>100%</u>

Debt service comprised the majority of expenditures for total governmental activities for both the current and prior fiscal years.

## GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2009 was amended to increase revenues by \$15,874, increase appropriations by \$21,602. Actual general fund expenditures did not exceed final budgeted appropriations for the fiscal year ended September 30, 2009.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2009, the District had \$17,257,517 invested in land, land improvements, infrastructure, recreation areas and facilities, and equipment. In the government-wide financial statements depreciation of \$926,926 has been taken, which resulted in a net book value of \$16,330,591. More detailed information about the District's capital assets is presented in the notes of the financial statements.

### Capital Debt

At September 30, 2009, the District had \$30,825,000 in Bonds outstanding for its governmental activities, a decrease of approximately 2% from the prior year. More detailed information about the District's capital 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, land owners, 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 Harmony Community Development District's Finance Department at 210 N. University Drive, Suite 702, Coral Springs, Florida, 33071.

**HARMONY COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 360,840
Assessments receivable	496,815
Due from other governments (unused distributed funds)	16,165
Restricted assets:	
Investments	3,041,639
Deferred charges	528,188
Capital assets:	
Nondepreciable	8,588,818
Depreciable, net	7,741,773
Total assets	20,774,238
 <b>LIABILITIES</b>	
Accounts payable	88,435
Accrued interest payable	899,849
Non-current liabilities:	
Due within one year	500,000
Due in more than one year	30,325,000
Total liabilities	31,813,284
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(13,756,250)
Restricted for debt service and other items	2,315,780
Unrestricted	401,424
Total net assets (deficit)	\$ (11,039,046)

See notes to the financial statements



**HARMONY COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 234,428	\$ 234,428	\$ -	\$ -	\$ -
Maintenance and operations	1,553,708	1,296,157		1,060	(256,491)
Parks and recreation	163,750				(163,750)
Interest on long-term debt	2,201,129	2,705,858	10,062		514,791
Total governmental activities	<u>4,153,015</u>	<u>4,236,443</u>	<u>10,062</u>	<u>1,060</u>	<u>94,550</u>
General revenues:					
Unrestricted investment earnings					996
Miscellaneous					1,836
Total general revenues					<u>2,832</u>
Change in net assets					97,382
Net assets (deficit) - beginning					(11,136,428)
Net assets (deficit) - ending					<u>\$ (11,039,046)</u>

See notes to the financial statements

**HARMONY COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	Major Funds				Total Governmental Funds
	General	Debt Service 2001	Debt Service 2004	Capital Projects 2004	
<b>ASSETS</b>					
Cash	\$ 360,840	\$ -	\$ -	\$ -	\$ 360,840
Investments		1,706,600	1,094,614	240,425	3,041,639
Assessments receivable	92,415	49,009	355,391		496,815
Due from other governments (unused distributed funds)	6,118	10,047			16,165
Due from other funds	18,142				18,142
Total assets	<u>\$ 477,515</u>	<u>\$ 1,765,656</u>	<u>\$ 1,450,005</u>	<u>\$ 240,425</u>	<u>\$ 3,933,601</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 76,091	\$ -	\$ -	\$ 12,344	\$ 88,435
Due to other funds		32		18,110	18,142
Deferred revenue	16,218	44,476			60,694
Total liabilities	<u>92,309</u>	<u>44,508</u>	<u>-</u>	<u>30,454</u>	<u>167,271</u>
Fund balances:					
Reserved for:					
Debt service		1,721,148	1,450,005		3,171,153
Capital projects				209,971	209,971
Unreserved, reported in:					
General fund	385,206				385,206
Total fund balances	<u>385,206</u>	<u>1,721,148</u>	<u>1,450,005</u>	<u>209,971</u>	<u>3,766,330</u>
Total liabilities and fund balances	<u>\$ 477,515</u>	<u>\$ 1,765,656</u>	<u>\$ 1,450,005</u>	<u>\$ 240,425</u>	<u>\$ 3,933,601</u>

See notes to the financial statements

**HARMONY COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

Fund balance - governmental funds		\$ 3,766,330
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 as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets for the government as a whole.		
Cost of capital assets	17,257,517	
Accumulated depreciation	<u>(926,926)</u>	16,330,591
Assets that are not available to pay for current-period expenditures are deferred in the fund financial statements		
		60,694
Bond issue costs 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.		
Bond issue costs	633,823	
Accumulated amortization	<u>(105,635)</u>	528,188
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	(899,849)	
Bonds payable	<u>(30,825,000)</u>	<u>(31,724,849)</u>
Net assets of governmental activities		<u>\$ (11,039,046)</u>

See notes to the financial statements

**HARMONY COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Major Funds				Total Governmental Funds
	General	Debt Service 2001	Debt Service 2004	Capital Projects 2004	
<b>REVENUES</b>					
Assessments - Tax collector	\$ 611,396	\$ 1,058,130	\$ -	\$ -	\$ 1,669,526
Assessments - District collected	902,971	397,926	1,205,326		2,506,223
Interest	996	6,129	3,933	1,060	12,118
Other revenues	1,836				1,836
Total revenues	<u>1,517,199</u>	<u>1,462,185</u>	<u>1,209,259</u>	<u>1,060</u>	<u>4,189,703</u>
<b>EXPENDITURES</b>					
Current:					
General government	224,802	9,626			234,428
Maintenance and operations	1,221,020				1,221,020
Parks and recreation	40,474				40,474
Debt Service:					
Principal		300,000	195,000		495,000
Interest		1,166,525	1,028,025		2,194,550
Capital outlay				45,218	45,218
Total expenditures	<u>1,486,296</u>	<u>1,476,151</u>	<u>1,223,025</u>	<u>45,218</u>	<u>4,230,690</u>
Excess (deficiency) of revenues over (under) expenditures	30,903	(13,966)	(13,766)	(44,158)	(40,987)
Fund balances - beginning	<u>354,303</u>	<u>1,735,114</u>	<u>1,463,771</u>	<u>254,129</u>	<u>3,807,317</u>
Fund balances - ending	<u>\$ 385,206</u>	<u>\$ 1,721,148</u>	<u>\$ 1,450,005</u>	<u>\$ 209,971</u>	<u>\$ 3,766,330</u>

See notes to the financial statements

**HARMONY COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Net change in fund balances - total governmental funds	\$	(40,987)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, the costs of capital assets is eliminated in the statement of activities and capitalized in the statement of net assets.		45,218
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.		(455,964)
Revenues in the statement of activities that do not provide current financial resources are deferred and are not reported as revenues in the fund financial statements.		60,694
Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.		495,000
Governmental funds report the effect of issuance of costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Amortization of issuance costs		(21,127)
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.		14,548
Change in net assets of governmental activities	\$	<u>97,382</u>

See notes to the financial statements

**HARMONY COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Harmony Community Development District (the "District") was established on February 28, 2000 by the Osceola County, Florida Ordinance No. 00-05 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, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purpose of managing the financing, 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 five members. The Supervisors are elected by qualified electors within the District. To carry out the purpose of the District, the Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. Certain Board members are affiliated with Birchwood Acres Limited Partnership ("Developer") at September 30, 2009. The Developer owns the majority of land within the District; as a result, any non-payment or significant delay in the payment of annual assessments by the Developer or a successor owner would have an adverse effect on the operations of the District.

The Board has the responsibility for:

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

**Government-Wide and Fund Financial Statements**

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

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

### **Assessments**

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are imposed and levied to pay for the operations and maintenance by the District of its systems and facilities provided to the property. For debt service, certain amounts are collected at lot closings as advance payments and are used to prepay a portion of the Bonds outstanding. Otherwise, assessments are collected annually to provide funds for the debt service on the portion of the Bonds which are not paid with prepaid assessments. 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. The District's annual assessments for operations and debt service are billed and collected by the County Tax Collector for non-Developer owned parcels or lots. For certain Developer owned acres, parcels or lots the District bills and collects the annual assessments. The amounts remitted to the District are net of applicable discounts or necessary administrative costs reimbursements and collection costs compensation. In addition, amounts remitted by the County Tax Collector include interest on monies held from the day of collection to the day of distribution.

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

The District reports the following major governmental funds:

### **General Fund**

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

### **Debt Service Fund 2001**

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on the Series 2001 Bonds.

### **Debt Service Fund 2004**

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on the Series 2004 Bonds.

### **Capital Projects Fund 2004**

This 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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

### **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.

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. In addition, surplus funds may be deposited into certificates of deposit which are insured and any unspent Bond proceeds are required to be held in investments as specified in the Bond Indenture.

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

#### Inventories and Prepaid Items

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

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

#### Capital Assets

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

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

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>
Equipment	10
Infrastructure	15
Recreational facilities	30



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### Capital Assets (Continued)

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

#### Deferred Charges

In a prior year, in connection with the issuance of certain debt, the District incurred costs totaling \$633,823. In the government-wide financial statements, that amount has been capitalized and amortized ratably over the estimated life of the Bonds. At September 30, 2009, the District reported accumulated amortization of \$105,635.

#### Deferred Revenue

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

#### Long-Term Obligations

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

### **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. 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 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 3 – CASH AND INVESTMENTS

### Cash

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

### Investments

The District's investments were held as follows at September 30, 2009:

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturities</u>
US Treasury Bill	\$ 2,777,943	Not Applicable	10/29/2009
Money Market Mutual Funds - First American			Weighted average of the fund portfolio: 45days
Government Obligation Funds CL Y	263,696	S&P AAAM	
	<u>\$ 3,041,639</u>		

*Custodial risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk.

The money market mutual funds are not evidenced by securities that exist in physical or book entry form. The US Treasury investment is held by the trustee or agent but not in the District's name.

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer.

*Interest rate risk* – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

#### NOTE 4 – INTERUND TRANSACTIONS

Interfund balances at September 30, 2009 were as follows:

Fund	Receivable	Payable
General	\$ 18,142	\$ -
Debt service 2001		32
Capital projects 2004		18,110
Total	\$ 18,142	\$ 18,142

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

#### NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land and land improvements	\$ 8,543,600	\$ -	\$ -	\$ 8,543,600
Construction in progress	-	45,218		45,218
Total capital assets, not being depreciated	8,543,600	45,218	-	8,588,818
Capital assets, being depreciated				
Infrastructure	4,930,607			4,930,607
Recreational	3,698,287			3,698,287
Equipment	39,805			39,805
Total capital assets, being depreciated	8,668,699	-	-	8,668,699
Less accumulated depreciation for:				
Infrastructure	328,707	328,707		657,414
Recreational	130,498	123,276		253,774
Equipment	11,757	3,981		15,738
Total accumulated depreciation	470,962	455,964	-	926,926
Total capital assets, being depreciated, net	8,197,737	(455,964)	-	7,741,773
Governmental activities capital assets, net	\$ 16,741,337	\$ (410,746)	\$ -	\$ 16,330,591

District infrastructure was developed in three phases and was expected to cost approximately \$26,193,000. In the prior year, the project was completed and certain assets were conveyed to other entities for ownership and maintenance. Current year additions are for the water main extension project.

Depreciation expense was charged to function/program as follows:

Maintenance and operations	\$ 332,688
Parks and recreation	123,276
Total depreciation expense	\$ 455,964

#### NOTE 6 – LONG TERM LIABILITIES

##### Capital Improvement Revenue Bonds Series 2001

On October 9, 2001 the District issued \$17,700,000 of Capital Improvement Revenue Bonds Series 2001, due on May 1, 2032 with a fixed interest rate of 7.25%. Interest is payable semiannually on each May 1 and November 1. Principal is payable on an annual basis commencing May 1, 2003 through May 1, 2032.

The Series 2001 Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. This occurred during the fiscal year ended September 30, 2009 as the District collected prepaid assessments from lot owners and prepaid \$30,000 of the Bonds. See Note 11 for additional prepayments subsequent to year end.

**NOTE 6 – LONG TERM LIABILITIES (Continued)**

**Capital Improvement Revenue Bonds Series 2001 (Continued)**

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with the requirements of the Bond Indenture at September 30, 2009.

The Bond Indenture requires that the District obtain a \$5,000,000 letter of credit which can be utilized by the Trustee in the event that sufficient funds are not available to cover the required debt service payments. The District does not currently have a letter of credit. There is an insurance policy and mortgage security agreement in place through the District's trust account.

**Capital Improvement Revenue Bonds Series 2004**

On December 10, 2004 the District issued \$15,490,000 of Capital Improvement Revenue Bonds Series 2004, due on May 1, 2036 with a fixed interest rate of 6.75%. Interest is payable semiannually on each May 1 and November 1 commencing May 1, 2006. Principal is payable on an annual basis commencing May 1, 2007.

The Series 2004 Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as certain other restrictions and requirements relating principally to the use of proceeds and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with the requirements of the Bond Indenture at September 30, 2009.

**Long-term debt activity**

Changes in long-term liability activity for the fiscal year ended September 30, 2009 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2001	\$ 16,090,000	\$ -	\$ 300,000	\$ 15,790,000	\$ 290,000
Series 2004	15,230,000		195,000	15,035,000	210,000
Total	<u>\$ 31,320,000</u>	<u>\$ -</u>	<u>\$ 495,000</u>	<u>\$ 30,825,000</u>	<u>\$ 500,000</u>

At September 30, 2009, the scheduled debt service requirements on the long - term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2010	\$ 500,000	\$ 2,159,639	\$ 2,659,639
2011	540,000	2,124,438	2,664,438
2012	580,000	2,086,413	2,666,413
2013	610,000	2,045,588	2,655,588
2014	655,000	2,002,638	2,657,638
2015-2019	4,030,000	9,253,675	13,283,675
2020-2024	5,655,000	6,974,475	12,629,475
2025-2029	7,905,000	5,332,300	13,237,300
2030-2035	8,130,000	2,232,713	10,362,713
2036	2,220,000	227,475	2,447,475
Total	<u>\$ 30,825,000</u>	<u>\$ 34,439,352</u>	<u>\$ 65,264,352</u>

## **NOTE 7 – DEVELOPER TRANSACTIONS**

The Developer owns a portion of land within the District; therefore, revenues in the general and debt service funds include non ad-valorem assessments billed by the District. Developer assessment revenue for the fiscal year ended September 30, 2009 for the general fund totaled \$902,971 and included a receivable of \$76,197. For debt service, Developer revenue for the fiscal year ended September 30, 2009 was \$397,926 for the Series 2001 Bonds and \$1,205,326 for debt service on the Series 2004 Bonds, which include receivables of \$49,009 and \$355,391, respectively. Subsequent to year end the Developer contributed \$672,373 towards the debt service on the Series 2001 Bonds.

## **NOTE 8 – DEFICIT FUND EQUITY**

The District has a government-wide net asset deficit balance of (\$11,039,046) as of September 30, 2009. There is no such deficit reflected in the governmental fund statements. The deficit primarily relates to capital outlay which has been financed through the issuance of long term debt but is not owned or maintained by the District as discussed in Note 5 – Capital Assets.

## **NOTE 9 - MANAGEMENT COMPANY**

The District has contracted with a management company to manage the works of the District, including to perform services such as financial and accounting advisory services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

## **NOTE 10 – RISK MANAGEMENT**

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

## **NOTE 11 – SUBSEQUENT EVENT**

### **Bond Payment**

Subsequent to year end, the District prepaid \$20,000 of the Series 2001 Bonds. The prepayments were extraordinary mandatory redemptions as outlined in the Bond Indenture.

**HARMONY COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Assessments - Tax collector	\$ 597,839	\$ 616,182	\$ 611,396	\$ (4,786)
Assessments - District collected	914,363	914,363	902,971	(11,392)
Interest and miscellaneous revenue	5,728	3,259	2,832	(427)
Total revenues	<u>1,517,930</u>	<u>1,533,804</u>	<u>1,517,199</u>	<u>(16,605)</u>
<b>EXPENDITURES</b>				
Current:				
General government	203,402	204,769	224,802	(20,033)
Maintenance and operations	1,238,800	1,191,388	1,221,020	(29,632)
Parks and recreation	70,000	137,647	40,474	97,173
Total expenditures	<u>1,512,202</u>	<u>1,533,804</u>	<u>1,486,296</u>	<u>47,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 5,728</u>	<u>\$ -</u>	30,903	<u>\$ 30,903</u>
Fund balance - beginning			<u>354,303</u>	
Fund balance - ending			<u>\$ 385,206</u>	

See notes to required supplementary information

**HARMONY COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2009 was amended to increase revenues by \$15,874, increase appropriations by \$21,602. Actual general fund expenditures did not exceed final budgeted appropriations for the fiscal year ended September 30, 2009.

**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  
Harmony Community Development District  
Osceola County, Florida

We have audited the financial statements of the governmental activities and each major fund of Harmony Community Development District, Osceola County, Florida ("District") as of and for the fiscal year ended September 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 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.

Compliance and Other Matters

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



This report is intended for the information of the management, Board of Supervisors of Harmony Community Development District, Osceola 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.

A handwritten signature in blue ink, appearing to read "D. J. Cant".

July 26, 2010

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

To the Board of Supervisors  
Harmony Community Development District  
Osceola County, Florida

We have audited the accompanying basic financial statements of Harmony Community Development District, Osceola County, Florida ("District") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated July 26, 2010.

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 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.

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated July 26, 2010. 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 Harmony Community Development District, Osceola 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 Harmony Community Development District, Osceola 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.



July 26, 2010

## 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, 2008.

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, 2009.

4. Violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts 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, 2009.

5. For matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of laws, regulations, and contracts or grant agreements, or abuse that have occurred, or are likely to have occurred.

- b. Control deficiencies that are not significant deficiencies, including, but not limited to:

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, 2009.

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, 2009 financial audit report.

## **REPORT TO MANAGEMENT (Continued)**

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.