

**BALLANTRAE COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010**

**BALLANTRAE COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Ballantrae Community Development District
Pasco County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Ballantrae Community Development District, Pasco County, Florida ("District") as of and for the fiscal year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



June 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a deficit net asset balance of (\$2,062,855).
- The change in the District's total net assets in comparison with the prior fiscal year was (\$733,006), a decrease. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2010, the District's governmental funds reported combined ending fund balance of \$1,434,461 an increase of \$151,565 in comparison with the prior year. A portion of fund balance is reserved for debt service, capital projects, and other items and the remainder is unreserved fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

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

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

The District maintains 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 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.

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, liabilities exceeded assets at the close of the most recent fiscal year.

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

	NET ASSETS	
	SEPTEMBER 30,	
	2010	2009
Assets, excluding capital assets	\$ 1,799,892	\$ 1,639,472
Capital assets, net	5,889,534	6,266,117
Total assets	<u>7,689,426</u>	<u>7,905,589</u>
Liabilities, excluding long-term liabilities	259,753	240,438
Long-term liabilities	9,492,528	8,995,000
Total liabilities	<u>9,752,281</u>	<u>9,235,438</u>
Net assets		
Invested in capital assets, net of related debt	(3,276,179)	(2,376,492)
Restricted for:		
Debt service	787,117	779,304
Unrestricted	426,207	267,339
Total net assets (deficit)	<u>\$ (2,062,855)</u>	<u>\$ (1,329,849)</u>

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

The District's net assets decreased during the most recent fiscal year. The majority of the decrease is attributed to the recognition of certain accrued obligations during the current fiscal year.

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

CHANGES IN NET ASSETS		
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2010	2009
Revenues:		
Program revenues		
Charges for Services	\$ 1,608,659	\$ 1,617,743
Operating Grants and Contributions	27	2,761
Capital Grants and Contributions	-	25
General revenues	1,647	338
Total revenues	<u>1,610,333</u>	<u>1,620,867</u>
Expenses:		
General government	136,352	193,594
Infrastructure and maintenance costs	872,088	919,940
Parks and recreation	125,050	119,577
Interest	550,160	558,859
Other project costs	659,689	40,175
Total expenses	<u>2,343,339</u>	<u>1,832,145</u>
Change in net assets	(733,006)	(211,278)
Net assets (deficit) - beginning	(1,329,849)	(1,118,571)
Net assets (deficit) - ending	<u>\$ (2,062,855)</u>	<u>\$ (1,329,849)</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2010 was \$2,343,339. The costs of the District's activities were primarily funded by program revenues. Program revenues of the District are comprised primarily of assessments 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. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2010.

Actual general fund revenues for the fiscal year ended September 30, 2010 were greater than anticipated assessments primarily due to fewer people taking advantage of the discount for early payment than expected. Actual general fund expenditures were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset

At September 30, 2010, the District had \$7,771,044 invested in building, equipment and various infrastructure improvements for its governmental activities. At the government-wide financial statements depreciation of \$1,881,510 has been taken, which resulted in a net book value of \$5,889,534. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt

At September 30, 2010, the District had \$8,845,000 in Bonds outstanding for its governmental activities. In addition, the District had a Developer Payable of \$647,528 at September 30, 2010. More detailed information about the District's capital debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for fiscal year 2011. In addition, it is anticipated that the general operations of the District will remain fairly constant.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Ballantrae Community Development District Finance Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida, 33614.

FINANCIAL STATEMENTS

**BALLANTRAE COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 445,673
Investments	3,572
Deferred charges	326,803
Prepays	13,110
Deposits	2,480
Restricted assets:	
Temporarily restricted	
Investments	1,008,254
Capital assets:	
Depreciable assets, net	<u>5,889,534</u>
Total assets	<u><u>7,689,426</u></u>
 LIABILITIES	
Accounts payable	38,628
Accrued interest payable	221,125
Non-current liabilities:	
Due within one year	155,000
Due in more than one year	<u>9,337,528</u>
Total liabilities	<u><u>9,752,281</u></u>
 NET ASSETS	
Invested in capital assets, net of related debt	(3,276,179)
Restricted for debt service	787,117
Unrestricted	426,207
Total net assets (deficit)	<u><u>\$ (2,062,855)</u></u>

See notes to the financial statements

**BALLANTRAE COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

<u>Functions/Programs</u>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 136,352	\$ 136,352	\$ -	\$ -	\$ -
Maintenance and operations	872,088	777,777	-	-	(94,311)
Parks and recreation	125,050	-	-	-	(125,050)
Interest on long-term debt	550,160	694,530	27	-	144,397
Other project costs	659,689	-	-	-	(659,689)
Total governmental activities	2,343,339	1,608,659	27	-	(734,653)
General revenues:					
Unrestricted investment earnings					1,647
Total general revenues					1,647
Change in net assets					(733,006)
Net assets (deficit) - beginning					(1,329,849)
Net assets (deficit) - ending					\$ (2,062,855)

See notes to the financial statements

**BALLANTRAE COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
ASSETS				
Cash	\$ 445,673	\$ -	\$ -	\$ 445,673
Investments	3,572	1,008,242	12	1,011,826
Prepays	13,110	-	-	13,110
Deposits	2,480	-	-	2,480
Total assets	<u>\$ 464,835</u>	<u>\$ 1,008,242</u>	<u>\$ 12</u>	<u>\$ 1,473,089</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 38,628	\$ -	\$ -	\$ 38,628
Total liabilities	<u>38,628</u>	<u>-</u>	<u>-</u>	<u>38,628</u>
Fund balances:				
Reserved for:				
Debt service	-	1,008,242	-	1,008,242
Capital projects	-	-	12	12
Other	13,110	-	-	13,110
Unreserved, designated for:				
Capital projects	75,092	-	-	75,092
Subsequent year's expenditures	150,000	-	-	150,000
Unreserved, reported in:				
General fund	188,005	-	-	188,005
Total fund balance	<u>426,207</u>	<u>1,008,242</u>	<u>12</u>	<u>1,434,461</u>
Total liabilities and fund balances	<u>\$ 464,835</u>	<u>\$ 1,008,242</u>	<u>\$ 12</u>	<u>\$ 1,473,089</u>

See notes to the financial statements

**BALLANTRAE COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

Fund balance - governmental funds \$ 1,434,461

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 of the government as a whole.

Cost of capital assets	7,771,044	
Accumulated depreciation	<u>(1,881,510)</u>	5,889,534

Bond issuance 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 issuance costs	426,266	
Accumulated amortization	<u>(99,463)</u>	326,803

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	(221,125)	
Developer payable	(647,528)	
Bonds payable	<u>(8,845,000)</u>	<u>(9,713,653)</u>

Net assets of governmental activities		<u><u>\$ (2,062,855)</u></u>
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See notes to the financial statements

**BALLANTRAE COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES				
Assessments	\$ 911,204	\$ 694,530	\$ -	\$ 1,605,734
Interest and other revenues	4,572	27	-	4,599
Total revenues	<u>915,776</u>	<u>694,557</u>	<u>-</u>	<u>1,610,333</u>
EXPENDITURES				
Current:				
General government	136,352	-	-	136,352
Maintenance and operations	521,258	-	-	521,258
Parks and recreation	99,297	-	-	99,297
Debt service:				
Principal	-	150,000	12,161	162,161
Interest	-	539,700	-	539,700
Total expenditures	<u>756,907</u>	<u>689,700</u>	<u>12,161</u>	<u>1,458,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>158,869</u>	<u>4,857</u>	<u>(12,161)</u>	<u>151,565</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfer in (out)	-	(794)	794	-
Total other financing sources (uses)	<u>-</u>	<u>(794)</u>	<u>794</u>	<u>-</u>
Net change in fund balances	158,869	4,063	(11,367)	151,565
Fund balance - beginning	<u>267,338</u>	<u>1,004,179</u>	<u>11,379</u>	<u>1,282,896</u>
Fund balance - ending	<u>\$ 426,207</u>	<u>\$ 1,008,242</u>	<u>\$ 12</u>	<u>\$ 1,434,461</u>

See notes to the financial statements

**BALLANTRAE COMMUNITY DEVELOPMENT DISTRICT
PASCO 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, 2010**

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

Net change in fund balances - total governmental funds	\$	151,565
Depreciation on capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.		(376,583)
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.		162,161
Certain accrued obligations not normally expected to be liquidated with expendable available financial resources unless they are due for payment in the current period are not reported in the fund financial statements but are recognized in the government-wide financial statements		(659,689)
Amortization of deferred charges is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.		(14,209)
The change in accrued interest on long-term liabilities between the current and prior fiscal year end is recorded in the statement of activities but not in the fund financial statements.		3,749
Change in net assets of governmental activities	\$	(733,006)

See notes to the financial statements

**BALLANTRAE COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Ballantrae Community Development District ("District") was established on September 29, 2003 by the Board of County Commissioners of Pasco County, Florida, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, under Pasco County Ordinance 03-22. 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 financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by the Board of Supervisors ("Board") which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

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. Financing improvements.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

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

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 2 – 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 certain land and all platted lots within the District. Assessments are levied each November 1 on property of record as of the previous January. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. For debt service assessments, amounts collected as advance payments are used to prepay a portion of the 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.

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

The District reports the following major governmental 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

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Project Fund

The capital project fund is used to account for 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 for qualifying expenditures, then unrestricted resources as they are needed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

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

The District has adopted a written investment policy, which complies with the requirements of Section 218.415 Florida Statutes. All investments comply with the requirements of the written investment policy. 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;
- e) Short-term Bond Funds.

In addition, surplus funds may be deposited into certificates of deposit which are insured. Any unspent proceeds are required to be held in investments allowed 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, bridges, sidewalks and similar items) are reported in the government 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 (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 completed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building	30
Stormwater management	30
Recreation facilities	20
Security walls and other	15
Equipment	10

NOTE 2 – 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 \$426,266. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2010 the District reported accumulated amortization of \$99,463.

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 applicable premiums or discounts.

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

Fund Equity/Net Assets

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

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Bond covenants or other contractual restrictions.

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 as of the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY INFORMATION

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

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

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

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

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

Investments

The District's investments were held as follows at September 30, 2010:

	Fair Value	Credit Risk	Weighted Average Maturities
First American Treasury Obligations Fund CL Z	\$ 1,008,254	S&P AAAm	42 days
Investment in Local Government Surplus Funds Trust Fund (Florida Prime)	1,656	S&P AAAm	52 days
Funds Trust Fund - Fund B	1,916	Not rated	7.49 years
Total Investments	<u>\$ 1,011,826</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.

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.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

The Bond Indenture limits the type of investments held for unspent Bond proceeds.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Building	\$ 750,000	\$ -	\$ -	\$ 750,000
Stormwater management	3,307,950	-	-	3,307,950
Recreation facilities	515,052	-	-	515,052
Security walls and other	3,127,158	-	-	3,127,158
Equipment	70,884	-	-	70,884
Total capital assets, being depreciated	<u>7,771,044</u>	<u>-</u>	<u>-</u>	<u>7,771,044</u>
Less accumulated depreciation for:				
Building	100,000	25,000	-	125,000
Stormwater management	441,060	110,265	-	551,325
Recreation facilities	103,012	25,753	-	128,765
Security walls and other	833,908	208,477	-	1,042,385
Equipment	26,947	7,088	-	34,035
Total accumulated depreciation	<u>1,504,927</u>	<u>376,583</u>	<u>-</u>	<u>1,881,510</u>
Total capital assets, being depreciated, net	<u>6,266,117</u>	<u>(376,583)</u>	<u>-</u>	<u>5,889,534</u>
Governmental activities capital assets, net	<u>\$ 6,266,117</u>	<u>\$ (376,583)</u>	<u>\$ -</u>	<u>\$ 5,889,534</u>

In connection with the 2004 project, in the event there are certain excess funds in the 2004 reserve, they are to be transferred to the capital projects fund and used to repay funds advanced for the project or for the purchase of additional components. The District and the Developer have signed an agreement establishing that in connection with the 2004 project, there are deferred costs of \$1,492,650 due to the Developer. This balance is only to be repaid from excess funds as defined in the Bond Indenture. In the prior fiscal year, \$40,175 was paid to the Developer. During the current fiscal year, an additional \$12,161 was paid to the Developer, with a balance still outstanding of \$1,440,314 at year end. See Note 6 for information on portion of the liability that has been recorded on the government wide statements.

Depreciation expense was charged to function/programs as follows:

Maintenance and operations	\$ 350,830
Parks and recreation	25,753
Total depreciation expense	<u>\$ 376,583</u>

NOTE 6 – LONG TERM LIABILITIES

Series 2004

On April 28, 2004 the District issued \$9,665,000 of Capital Improvement Revenue Bonds, due May 1, 2035 with a fixed interest rate of 6.0%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal is to be paid serially commencing May 1, 2006 through May 1, 2035.

The Bonds are subject to redemption at the option of the District prior to 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. See Note 12 - Subsequent Events for call amount subsequent to the fiscal year end.

The Bond Indenture established a debt service reserve requirement as well as other 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 agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District was in compliance with the requirements at September 30, 2010.

Developer Payable

For the capital projects fund, there is an agreement between the District and the Developer whereby the Developer advanced funds to the District for construction. In accordance with the agreement, the advances are subject to reimbursement when and if funds become available from the Bond in accordance with the Bond Indenture. The balance accrued and owed at September 30, 2010 of \$647,528 is not included in the maturity schedule below. The amount reported on the government-wide statement of net assets is contingent on the reserve account maintaining the required balance per the Bond Indenture and may be adjusted if the reserve balance is not available for any reason. See Note 5 for detail on the amount due to the Developer.

Long-term debt activity

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental activities</u>					
Bonds payable:					
Series 2004	\$ 8,995,000	\$ -	\$ 150,000	\$ 8,845,000	\$ 155,000
Developer payable	-	659,689	12,161	647,528	
Governmental activity long-term liabilities	<u>\$ 8,995,000</u>	<u>\$ -</u>	<u>\$ 162,161</u>	<u>\$ 9,492,528</u>	<u>\$ 155,000</u>

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

Governmental Activities			
Year ending September 30:	Principal	Interest	Total
2011	\$ 155,000	\$ 530,700	\$ 685,700
2012	165,000	521,470	686,470
2013	175,000	511,500	686,500
2014	190,000	501,000	691,000
2015	200,000	489,600	689,600
2016-2020	1,200,000	2,253,000	3,453,000
2021-2025	1,625,000	1,845,000	3,470,000
2026-2030	2,180,000	1,294,500	3,474,500
2031-2035	2,955,000	553,500	3,508,500
Total	<u>\$ 8,845,000</u>	<u>\$ 8,500,270</u>	<u>\$ 17,345,270</u>

NOTE 7– DEFICIT NET ASSETS

The District has a government-wide net asset deficit of (\$2,062,855) as of September 30, 2010. There is no such deficit reflected in the governmental fund financial statements. The deficit in the government-wide statement of net assets primarily relates to the excess of the amount of long-term debt outstanding over the amount of capital assets, net of accumulated depreciation. Certain infrastructure improvements of the District were financed through the issuance of long-term debt but were conveyed to other entities for maintenance. Those capital assets are not included in the assets of the District; however, the long-term debt associated with those assets remains the liability of the District.

NOTE 8 – DEVELOPER TRANSACTIONS

The Developer owns a portion of the land within the District; therefore, assessment revenues in the general and debt service funds include the assessments levied on those lots owned by the Developer.

In addition, during the current fiscal year, the District paid \$12,161 to the Developer in reimbursement of certain previously contributed amounts – see Notes 5 and 6.

NOTE 9 – OTHER INFORMATION

During the prior fiscal year, there were two drainage structures which were collapsing within the District. Upon investigation, the collapse was attributed to poor design. As a result, the District hired an attorney and filed a claim against the construction company and the original engineer. The structures were repaired and the construction company and engineer have been served. The District had a hearing during the current fiscal year and a mandatory mediation meeting has been scheduled. No adjustments has been made to the financial statements as the outcome of these events cannot be determined.

NOTE 10 – MANAGEMENT COMPANY

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

NOTE 11 – 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 12 – SUBSEQUENT EVENTS

Bond Payments

In November 2010, the District prepaid \$15,000 of the Series 2004 Bonds. The prepayment was an extraordinary mandatory redemption as outlined in the Bond Indenture.

**BALLANTRAE COMMUNITY DEVELOPMENT DISTRICT
PASCO COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessments	\$ 899,116	\$ 911,204	\$ 12,088
Interest and other revenues	-	4,572	4,572
Total revenues	<u>899,116</u>	<u>915,776</u>	<u>16,660</u>
EXPENDITURES			
Current:			
General government	223,900	136,352	87,548
Maintenance and operations	708,686	521,258	187,428
Parks and recreation	116,530	99,297	17,233
Total expenditures	<u>1,049,116</u>	<u>756,907</u>	<u>292,209</u>
Excess (deficiency) of revenues over (under) expenditures	(150,000)	158,869	308,869
OTHER FINANCING SOURCES			
Use of fund balance	<u>150,000</u>	-	<u>(150,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>158,869</u>	<u>\$ 158,869</u>
Fund balance - beginning		<u>267,338</u>	
Fund balance - ending		<u>\$ 426,207</u>	

See notes to required supplementary information

**BALLANTRAE COMMUNITY DEVELOPMENT DISTRICT
PASCO 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. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2010.

Actual general fund revenues for the fiscal year ended September 30, 2010 were greater than anticipated assessments primarily due to fewer people taking advantage of the discount for early payment than expected. Actual general fund expenditures were less than appropriations due primarily to anticipated costs which were not incurred in the current fiscal year.

**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
Ballantrae Community Development District
Pasco County, Florida

We have audited the financial statements of the governmental activities and each major fund of Ballantrae Community Development District; Pasco County, Florida as of and for the fiscal year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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



June 23, 2011

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

To the Board of Supervisors
Ballantrae Community Development District
Pasco County, Florida

We have audited the accompanying basic financial statements of Ballantrae Community Development District (the "District") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated June 23, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United 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 June 23, 2011. Disclosures in that report should be considered in conjunction with this management letter.

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

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

This report is intended for the information of the management, Board of Supervisors of Ballantrae Community Development District, Pasco 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 Ballantrae Community Development District, Pasco County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.



June 23, 2011

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REPORT TO MANAGEMENT

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

2. 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.