

**FIDDLER'S CREEK
COMMUNITY DEVELOPMENT DISTRICT 1
COLLIER COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

**FIDDLER’S CREEK COMMUNITY DEVELOPMENT DISTRICT 1
COLLIER COUNTY, FLORIDA**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	2-6
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to the Financial Statements	13-24
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	25
Notes to Required Supplementary Information	26
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	27-28
MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	29-31

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Fiddler's Creek Community Development District 1
Collier County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Fiddler's Creek Community Development District 1, Collier 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.

As discussed in Note 7 to the financial statements, the Developer has not paid debt service assessments levied in amount of \$1,498,798. Therefore, the District incurred unscheduled draws on the Series 2002 debt service reserves of \$715,952 and on Series 2005 debt service reserves of \$660,078, which resulted in the reserve deficit as discussed in Note 5. Subsequent to fiscal year ended September 30, 2009, the District and Bondholder amended the Master Trust indenture for the purpose of debt service relief as discussed in Note 12. Further, the Developer of the District filed for bankruptcy protection in February 2010 as discussed in Note 12. The District is economically dependent on the Developer.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 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 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.

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.


April 14, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Fiddler's Creek Community Development District 1, Collier County, Florida ("District") provides a narrative 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 assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2009 resulting in a net asset balance of \$3,990,897. Of this amount, \$552,672 is unrestricted net assets which may be used to meet the District's ongoing obligations.
- The District's total net assets increased by \$791,165 in comparison with the prior year. 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, 2009, the District's governmental funds reported combined ending fund balances of \$10,836,533. Of the total fund balance, \$10,289,076 is reserved for debt service, capital projects and other items and \$547,457 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 and Developer revenues. The District does not have any business-type activities. The governmental activities of the District include the general government (management) and maintenance functions.

Fund Financial Statements

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

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

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

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

The District maintains eight 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 Series 1999, 2002, 2005 and 2006 funds and capital projects Series 2005 and 2006 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.

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, assets exceeded liabilities by \$3,990,897 at the close of the fiscal year ended September 30, 2009.

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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	NET ASSETS SEPTEMBER 30,	
	2009	2008
Assets, excluding capital assets	\$ 13,510,767	\$ 14,921,970
Capital assets, net of depreciation	38,674,917	38,831,354
Total assets	<u>52,185,684</u>	<u>53,753,324</u>
Liabilities, excluding long-term liabilities	1,276,632	1,536,559
Long-term liabilities	46,918,155	49,017,033
Total liabilities	<u>48,194,787</u>	<u>50,553,592</u>
Net Assets		
Invested in capital assets, net of related debt	196,193	(804,454)
Restricted for debt service	3,242,032	3,371,918
Unrestricted	552,672	632,268
Total net assets	<u>\$ 3,990,897</u>	<u>\$ 3,199,732</u>

The District's net assets increased by \$791,165 during the fiscal year ended September 30, 2009. The majority of the increase represents the extent to program revenues exceeded the cost of operations and depreciation expense.

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,	
	2009	2008
Revenues:		
Program revenues		
Charges for services	\$ 6,688,507	\$ 5,846,487
Operating grants and contributions	22,276	142,489
Capital grants and contributions	44,923	255,763
General revenues		
Investment income	4,517	32,840
Total revenues	<u>6,760,223</u>	<u>6,277,579</u>
Expenses:		
General government	363,995	330,408
Maintenance and operations	2,617,610	3,049,222
Interest	2,987,453	3,092,746
Total expenses	<u>5,969,058</u>	<u>6,472,376</u>
Change in net assets	791,165	(194,797)
Net assets beginning	3,199,732	3,394,529
Net assets ending	<u>\$ 3,990,897</u>	<u>\$ 3,199,732</u>

As noted above and in the statement of activities, program revenues comprised primarily of assessments increased by \$510,967 (8.2 percent) in comparison with prior year. The cost of all governmental activities during the fiscal year ended September 30, 2009 was \$5,969,058. The majority of the costs of the District's activities were paid by program revenues. In total, expenses, including depreciation, decreased by \$503,318 (7.8 percent) from the prior fiscal year.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (Continued)

The general fund is the operating fund of the District and 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	\$ 363,995	5%	\$ 330,408	3%
Maintenance and operations	1,575,654	20%	1,827,443	18%
Interest and principal on long-term debt	5,045,315	64%	5,320,976	53%
Capital outlay	885,519	11%	2,525,504	26%
Total	<u>\$ 7,870,483</u>	<u>100%</u>	<u>\$ 10,004,331</u>	<u>100%</u>

As noted above, debt service comprises the majority of expenditures for total governmental activities for the current and prior year.

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, 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2009, the District had \$48,267,121 invested in land, land improvements, and infrastructure. In the government-wide financial statements depreciation of \$9,592,204 has been taken, which resulted in a net book value of \$38,674,917. 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 \$47,047,840 in Bonds and loans outstanding for its governmental activities, a decrease of approximately 4.3% from the prior year. No new debt was issued during the year. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND OTHER EVENTS

The Board is considering refinancing the series 2002 Bonds and the series 2005 Bonds, however, the terms of the refinancing have not yet been established.

As discussed in Note 7 to the financial statements, there are amounts due from the Developer for the 2009 fiscal year. The Board has approved the District to commence foreclosure procedures. The District is economically dependent on the Developer. No adjustment has been made to the financial statements as the specific impact on the District cannot be determined at this time. In addition, as discussed in Note 5, the Series 2002 Bonds debt service payments totaling \$715,952 were made from the debt service reserve account and the Series 2005 Bonds debt service payments totaling \$660,078 were made from the debt service reserve account. Consequently, there is a deficit of approximately \$254,000 in the Series 2002 debt service reserve account and approximately \$659,000 in the Series 2005 debt service reserve account.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, land owners, 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 Fiddler's Creek Community Development District 1's Finance Department at 6131 Lyons Road, Suite 100, Coconut Creek, Florida, 33073.

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1
COLLIER COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

	Governmental Activities
ASSETS	
Cash	\$ 619,580
Investments	97
Accounts receivable	31,696
Due from Developer	1,498,798
Deposits	5,215
Due from other government	4,339
Restricted assets:	
Cash	307,668
Investments	9,980,483
Deferred charges	1,062,891
Capital assets:	
Nondepreciable	25,393,907
Depreciable, net	13,281,010
Total assets	52,185,684
LIABILITIES	
Accounts payable	112,545
Accrued interest payable	1,164,087
Non-current liabilities:	
Due within one year	2,059,415
Due in more than one year	44,858,740
Total liabilities	48,194,787
NET ASSETS	
Invested in capital assets, net of related debt	196,193
Restricted for debt service	3,242,032
Unrestricted	552,672
Total net assets	\$ 3,990,897

See notes to the financial statements

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1
COLLIER COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

<u>Functions/Programs</u>	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 363,995	\$ 363,995	\$ -	\$ -	\$ -
Maintenance and operations	2,617,610	2,397,790	-	44,923	(174,897)
Interest on long-term debt	2,987,453	3,926,722	22,276	-	961,545
Total governmental activities	5,969,058	6,688,507	22,276	44,923	786,648
General revenues:					
Unrestricted investment earnings					4,517
Total general revenues					4,517
Change in net assets					791,165
Net assets - beginning					3,199,732
Net assets - ending					\$ 3,990,897

See notes to the financial statements

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1
COLLIER COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	Major Funds						Total Governmental Funds
	General	Debt Service Series 1999	Debt Service Series 2002	Debt Service Series 2005	Debt Service Series 2006	Capital Projects Series 2005	
ASSETS							
Cash	\$ 927,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 927,248
Investments	97	1,323,093	499,011	82	762,494	7,395,803	9,980,580
Due from other funds	19,263	15	-	-	-	-	19,278
Due from Developer	-	-	743,882	754,916	-	-	1,498,798
Accounts receivable	16,738	8,542	-	-	6,416	-	31,696
Deposits	5,215	-	-	-	-	-	5,215
Due from other governments	4,339	-	-	-	-	-	4,339
Total assets	\$ 972,900	\$ 1,331,650	\$ 1,242,893	\$ 754,998	\$ 768,910	\$ 7,395,803	\$ 12,467,154
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 112,545	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,545
Due to other funds	15	-	-	-	-	19,263	19,278
Deferred revenue	-	-	743,882	754,916	-	-	1,498,798
Total liabilities	112,560	-	743,882	754,916	-	19,263	1,630,621
Fund balances:							
Reserved for:							
Debt service	307,668	1,331,650	499,011	82	768,910	-	2,907,321
Capital projects	-	-	-	-	-	7,376,540	7,376,540
Other	5,215	-	-	-	-	-	5,215
Unreserved, reported in:							
General fund	547,457	-	-	-	-	-	547,457
Total fund balances	860,340	1,331,650	499,011	82	768,910	7,376,540	10,836,533
Total liabilities and fund balances	\$ 972,900	\$ 1,331,650	\$ 1,242,893	\$ 754,998	\$ 768,910	\$ 7,395,803	\$ 12,467,154

See notes to the financial statements

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1
COLLIER COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

Fund balance - governmental funds \$ 10,836,533

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	48,267,121	
Accumulated depreciation	<u>(9,592,204)</u>	38,674,917

Assets that are not available to pay for current-period expenditures are deferred in the fund statements.		1,498,798
---	--	-----------

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	1,841,764	
Accumulated amortization	<u>(778,873)</u>	1,062,891

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	(1,164,087)	
Deferred amount on refunding	129,685	
Bonds payable	<u>(47,047,840)</u>	<u>(48,082,242)</u>

Net assets of governmental activities		<u><u>\$ 3,990,897</u></u>
---------------------------------------	--	----------------------------

See notes to the financial statements

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1
COLLIER 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 Series 1999	Debt Service Series 2002	Debt Service Series 2005	Debt Service Series 2006	Capital Projects Series 2005	Capital Projects Series 2006	
REVENUES								
Assessments	\$ 2,744,126	\$ 1,209,642	\$ 459,624	\$ 8,034	\$ 750,624	\$ -	\$ -	\$ 5,172,050
Interest	4,517	6,318	6,764	5,629	3,565	44,899	24	71,716
Miscellaneous income	17,659	-	-	-	-	-	-	17,659
Total revenues	<u>2,766,302</u>	<u>1,215,960</u>	<u>466,388</u>	<u>13,663</u>	<u>754,189</u>	<u>44,899</u>	<u>24</u>	<u>5,261,425</u>
EXPENDITURES								
Current:								
General government	320,481	24,882	-	-	18,632	-	-	363,995
Maintenance and operations	1,575,654	-	-	-	-	-	-	1,575,654
Debt Service:								
Principal	582,405	595,000	230,000	230,000	480,000	-	-	2,117,405
Interest	73,203	553,846	985,406	1,085,700	229,755	-	-	2,927,910
Capital outlay	-	-	-	-	-	885,519	-	885,519
Total expenditures	<u>2,551,743</u>	<u>1,173,728</u>	<u>1,215,406</u>	<u>1,315,700</u>	<u>728,387</u>	<u>885,519</u>	<u>-</u>	<u>7,870,483</u>
Excess (deficiency) of revenues over (under) expenditures	214,559	42,232	(749,018)	(1,302,037)	25,802	(840,620)	24	(2,609,058)
OTHER FINANCING SOURCES (USES)								
Transfers in	13,513	-	-	-	6,582	-	-	20,095
Transfers out	-	-	-	-	-	(13,513)	(6,582)	(20,095)
Total other financing sources (uses)	<u>13,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,582</u>	<u>(13,513)</u>	<u>(6,582)</u>	<u>-</u>
Net change in fund balances	228,072	42,232	(749,018)	(1,302,037)	32,384	(854,133)	(6,558)	(2,609,058)
Fund balances - beginning	632,268	1,289,418	1,248,029	1,302,119	736,526	8,230,673	6,558	13,445,591
Fund balances - ending	<u>\$ 860,340</u>	<u>\$ 1,331,650</u>	<u>\$ 499,011</u>	<u>\$ 82</u>	<u>\$ 768,910</u>	<u>\$ 7,376,540</u>	<u>\$ -</u>	<u>\$ 10,836,533</u>

See notes to the financial statements

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1
COLLIER 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	\$ (2,609,058)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net assets.	885,519
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.	(1,041,956)
Revenues that do not provide current available resources are deferred in the fund statements but are recognized as revenues in the statement of activities.	1,498,798
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.	2,117,405
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 bond issuance costs	(81,103)
Amortization of deferred amount on refunding	(18,527)
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.	<u>40,087</u>
Change in net assets of governmental activities	<u><u>\$ 791,165</u></u>

See notes to the financial statements

**FIDDLER’S CREEK COMMUNITY DEVELOPMENT DISTRICT 1
COLLIER COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Fiddler’s Creek Community Development District 1, (“District”) was created on August 13, 1996 under the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the “Act”) and Rule 42X 1.001-1.003 adopted by Florida Land and Water Adjudicatory Commission and amended on September 16, 2003, designated as Fiddler’s Creek Community Development District 1. 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 purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is located in the metropolitan Naples area of Collier County, Florida, within the Fiddler’s Creek Development of Regional Impact (“DRI”), a master planning community that is comprised of the District and Fiddler’s Creek Community Development District 2. The District consists of approximately 1,390 acres within the Fiddler’s Creek DRI. In 2003, the boundaries of the District were modified but the acreage, 1,390 acres, remained the same. The District is being developed by 951 Land Holdings, Ltd., a Florida limited partnership and previously known as 951 Land Holding Joint Venture (“Developer”). The Developer owns significant portions of the land; therefore, the District is economically dependent on the Developer. Subsequent to year end the Developer filed for bankruptcy protection (see Note 12 for details).

The District is governed by the Board of Supervisors (“Board”), which is composed of five members. The Supervisors are elected by qualified electors living 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Assessments

Assessments are non-ad valorem assessments on all real property within the District. Assessments are levied each November 1 on property 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. The District invoices the prime Developer for some of the debt service assessments. 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 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 Funds

The debt service funds are used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt for the Series 1999, 2002, 2005 and 2006.

Capital Projects Funds

These funds account for the financial resources to be used for the acquisition or construction of major infrastructure within the District related to the Series 2005 and 2006 capital project. The Series 2006 fund was closed during the fiscal year ended September 30, 2009.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to bond and debt 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 one year. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

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	5 - 10
Infrastructure	20 - 40
Buildings and improvements	7 - 39

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 prior years, in connection with the issuance of certain debt, the District incurred costs totaling \$1,841,764. In the government-wide financial statements that amount has been capitalized and amortized over the estimated life of the Bonds. At September 30, 2009, the District reported accumulated amortization of \$778,873.

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 over the life of the Bonds using the straight-line method, which does not result in a material difference from the effective interest method. Bonds payable are reported net of applicable premiums or discounts.

Deferred amounts on refunding are amortized over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Disclosures

Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District is required to establish a budgetary system and an approved Annual Budget. 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 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>
Money Market Mutual Funds - First American Government Obligation Fund	\$ 9,980,580	S&P AAAM	Weighted average of the fund portfolio: 45 days
Total Investments	<u>\$ 9,980,580</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.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments (Continued)

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 – 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 improvements	\$ 23,293,924	\$ -	\$ -	\$ 23,293,924
Construction in progress	1,214,464	885,519	-	2,099,983
Total capital assets, not being depreciated	24,508,388	885,519	-	25,393,907
Capital assets, being depreciated				
Building and improvements	7,695,968	-	-	7,695,968
Infrastructure	15,109,489	-	-	15,109,489
Equipment	67,757	-	-	67,757
Total capital assets, being depreciated	22,873,214	-	-	22,873,214
Less accumulated depreciation for:				
Building and improvements	5,042,737	495,236	-	5,537,973
Infrastructure	3,480,352	539,945	-	4,020,297
Equipment	27,159	6,775	-	33,934
Total accumulated depreciation	8,550,248	1,041,956	-	9,592,204
Total capital assets, being depreciated, net	14,322,966	(1,041,956)	-	13,281,010
Governmental activities capital assets	\$ 38,831,354	\$ (156,437)	\$ -	\$ 38,674,917

The total projected cost of infrastructure to the District was estimated at approximately \$55,000,000. Four phases of major infrastructure construction were anticipated. Construction of Phases 1, 2, and 3 were substantially completed. For the fiscal year ended September 30, 2009, approximately \$885,519 construction cost was incurred for the remaining phases. However, due to the dramatic reduced demand for housing and the mortgage credit market crisis, the District concurred with the Developer during fiscal year 2009 to delay the construction of the third and fourth phases of the Original Development Plan (the "Modified Development Plan") and authorized to reduce the scope of the 2005 Project that reflected in the Modified Development Plan and allowed the use of the excess monies in the 2005 Acquisition and Construction Account to redeem a portion of the outstanding 2005 Bonds.

NOTE 5 – LONG TERM LIABILITIES

At September 30, 2009 the District has the following Bond issues outstanding.

Series 1999

In May 1999, the District issued \$17,245,000 of Special Assessment Revenue Bonds, Series 1999 consisting of \$9,305,000 Term Bonds Series 1999A due on May 1, 2021 with a fixed interest rate of 5.875% and \$7,940,000 Term Bonds Series 1999B due on May 1, 2021 with a fixed interest rate of 5.80%. 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 on May 1, commencing May 1, 2002.

The Series 1999 Bonds are subject to redemption at the option of the District, in whole or in part at any time on or after May 1, 2009 at a redemption price as set forth in the Bond Indenture.

The Series 1999 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture. During the fiscal year ended September 30, 2009, the District collected assessments and prepaid \$15,000 on the Series 1999A Bonds and \$80,000 on the Series 1999B. See Note 12 – Subsequent events for additional 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 is in compliance with those requirements of the Bond Indenture at September 30, 2009.

Series 2002

In March 2002, the District issued \$15,450,000 of Special Assessment Revenue Bonds, Series 2002 consisting of \$10,120,000 Term Bonds Series 2002A due on May 1, 2033 with a fixed interest rate of 6.875% and \$5,330,000 Term Bonds Series 2002B due on May 1, 2033 with a fixed interest rate of 6.625%. 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 on May 1, commencing May 1, 2004.

The Series 2002 Bonds are subject to redemption at the option of the District, in whole or in part at any time on or after May 1, 2012 at a redemption price as set forth in the Bond Indenture.

The Series 2002 Bonds are subject to extraordinary mandatory redemption prior to 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 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 requirement wasn't met as of September 30, 2009 because of delinquent special assessments due from the Developer. As a result, the debt service payments totaling \$715,952 were made from the debt service reserve account. Consequently, there is a deficit of approximately \$254,000 in the Series 2002 debt service reserve account. As of September 30, 2009 the District had approximately \$498,000 remaining in the account.

During the fiscal year 2009, the District authorized the issuance of Special Assessment Revenue Refunding Bonds series 2009 to refund the Series 2002 Bonds for the purpose of providing debt service relief. As of the report date, the Bond Series 2009 has not been issued.

NOTE 5 – LONG TERM LIABILITIES (Continued)

Series 2005

In December 2005, the District issued \$18,095,000 of Special Assessment Revenue Bonds, Series 2005 due May 1, 2038 with a fixed interest rate of 6.00%. 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 on May 1, commencing May 1, 2009.

The Series 2005 Bonds are subject to redemption at the option of the District, in whole or in part at any time on or after May 1, 2016 at a redemption price as set forth in the Bond Indenture.

The Series 2005 Bonds are subject to extraordinary mandatory redemption prior to 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 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 requirement wasn't met as of September 30, 2009 because of delinquent special assessments due from the Developer. As a result, the debt service payments totaling \$660,078 were made from the debt service reserve account. Consequently, there is a deficit of approximately \$659,000 in the Series 2005 debt service reserve account. As of September 30, 2009 the District had \$71 remaining in the account.

During the fiscal year 2009, the District authorized the issuance of Special Assessment Revenue Refunding Bonds Series 2009 to refund the Series 2005 Bonds for the purpose of providing debt service relief. As of the report date, the Bond Series 2009 has not been issued.

Subsequent to fiscal year ended September 30, 2009, the District and the Bondholders entered into the First Amendment to the Master Trust Indenture regarding the series 2002 Bonds and the series 2005 Bonds. See Note 12 for details.

Series 2006

In November 2006, the District issued \$6,570,000 of Special Assessment Revenue Refunding Bonds, Series 2006 due May 1, 2018 with a fixed interest rate of 4.20%. Bonds were issued to refund \$6,790,000 of the Capital Improvement Revenue Bonds, Series 1996. Interest is to be paid semiannually on each May 1 and November 1, commencing May 1, 2007. Principal is to be paid on May 1, commencing May 1, 2008.

The Series 2006 Bonds are subject to redemption at the option of the District, in whole or in part at any time at a redemption price as set forth in the Bond Indenture.

The Series 2006 Bonds are subject to extraordinary mandatory redemption prior to 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 assessments and prepaid \$30,000 of the Series 2006 Bonds. See Note 12 – Subsequent events for additional 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 is in compliance with those requirements of the Bond Indenture at September 30, 2009.

NOTE 5 – LONG TERM LIABILITIES (Continued)

SunTrust Loan

On March 23, 2006 the District entered into an agreement with SunTrust Bank and obtained a Promissory Note on the principal amount not to exceed \$3,600,000 for the purpose of financing the repairs to District assets damaged by hurricanes. The interest rate of 5.22% was fixed at the day following the day the last advance was made. The interest and principal are payable in quarterly installments on each April 30, July 30, October 30, and January 30. Interest payments commenced January 30, 2007 and principal payments commenced April 30, 2007. The Note matures on March 23, 2011.

The Note is subject to optional prepayment in whole or in part at any time in the manner determined by the Loan Agreement. The Loan Agreement establishes requirements for an assessment account (110% of the principal and interest due on each April 1, beginning April 1, 2007) maintained by the District in order to secure repayment of the Note. The District is in compliance with those requirements at September 30, 2009.

Long-term debt transactions

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 1999A	\$ 7,135,000	\$ -	\$ (390,000)	\$ 6,745,000	\$ 400,000
Series 1999B	2,325,000		(205,000)	2,120,000	125,000
Series 2002A	9,515,000		(150,000)	9,365,000	160,000
Series 2002B	5,000,000		(80,000)	4,920,000	85,000
Series 2005	18,095,000		(230,000)	17,865,000	240,000
Series 2006	5,475,000		(480,000)	4,995,000	465,000
SunTrust loan agreement	1,612,736		(574,896)	1,037,840	584,415
Capital leases	7,509		(7,509)	-	-
Less: deferred amount on refunding	(148,212)		18,527	(129,685)	
Total	<u>\$ 49,017,033</u>	<u>\$ -</u>	<u>\$ (2,098,878)</u>	<u>\$ 46,918,155</u>	<u>\$ 2,059,415</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	\$ 2,059,415	\$ 2,813,480	\$ 4,872,895
2011	2,013,425	2,701,379	4,714,804
2012	1,655,000	2,603,516	4,258,516
2013	1,745,000	2,511,602	4,256,602
2014	1,850,000	2,415,176	4,265,176
2015-2019	10,225,000	10,414,900	20,639,900
2020-2024	7,165,000	7,642,041	14,807,041
2025-2029	7,175,000	5,556,969	12,731,969
2030-2034	8,605,000	2,926,600	11,531,600
2035-2038	4,555,000	703,200	5,258,200
Total	<u>\$ 47,047,840</u>	<u>\$ 40,288,863</u>	<u>\$ 87,336,703</u>

NOTE 6 – CAPITAL LEASES

The District entered into two lease agreements related to certain infrastructure and purchase of a vehicle for the District. The lease agreements qualify as capital leases for accounting purposes and, therefore, had been recorded at present value of its future minimum lease payments as of the inception date. As of September 30, 2009, the leases had been paid off.

The assets acquired through capital lease are as follows:

	Governmental activities
Asset:	
Infrastructure	\$ 116,000
Equipment	21,812
Less: Accumulated depreciation	(41,343)
	<u>\$ 96,469</u>

NOTE 7 – DEVELOPER TRANSACTIONS

The Developer owns significant portions of 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.

For the fiscal year ended September 30, 2009, the Developer assessment revenue in the general fund was \$861,141. The Developer also paid \$141,544 to the Series 1999 debt service fund and \$459,624 to the Series 2002 debt service fund and \$8,034 to the Series 2005 debt service fund.

There were \$1,498,798 delinquent debt service assessments due from the Developer for the fiscal year ended September 30, 2009. Of the total delinquent assessments, \$743,882 was for the Series 2002 and \$754,916 was for the Series 2005. As of September 30, 2009, the Board approved the District to proceed with foreclosure action on the delinquent assessments. However, just prior to the foreclosure filings, the Developer filed for Chapter 11 reorganization. As a result, the foreclosure filings were automatically stayed pursuant to 11 USC § 362 (see Note 12 - Subsequent events).

For the fiscal year ended September 30, 2009, the District paid approximately \$582,000 to the Developer for infrastructure under the Project Improvement Acquisition Agreement.

In addition, see Note 12 – Subsequent events for additional assessments paid by the Developer subsequent to September 30, 2009.

NOTE 8 – RELATED ENTITY TRANSACTIONS

The District is related to Fiddler's Creek Community Development District II and shares the same Developer. The District received approximately \$257,000 as reimbursement under an interlocal agreement as amended for expenses paid on behalf of Fiddler's Creek Community Development District II for certain irrigation and security expenses incurred by the general fund. The District has a receivable in the amount of \$4,339 from Fiddler's Creek Community Development District II for shared costs as of September 30, 2009.

NOTE 9 – MANAGEMENT COMPANY

The District has contracted with Wrathell, Hart, Hunt and Associates, LLC to perform management advisory services, which include 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 – LITIGATION

During the fiscal year ended September 30, 2009, a claim was filed against the District by a landscape company for breach of contract and the company was willing to settle for \$37,341. The District rejected the settlement and is going to file counterclaim against the company for breach of contract. As of the report date the outcome cannot be determined therefore no amounts related to this matter have been reflected in the financial statements.

NOTE 12 – SUBSEQUENT EVENTS

Developer transactions

Subsequent to September 30, 2009, the Developer paid assessments of \$128,609 to the general fund and \$40,880 to the Series 1999 debt service fund.

Developer Bankruptcy

On February 23, 2010, the Developer filed Chapter 11 for bankruptcy protection. The Developer owns a portion of the land within the District and the District is economically dependent on the Developer. There are delinquent assessments for the Developer for the fiscal year ended September 30, 2009. See Note 7 for details.

The Bankruptcy Court approved a “debtor in possession” loan facility, on an interim basis, that provides for monthly payment of “off roll” O&M Assessments as budgeted by the Developer and other assessment payments to the District only if certain sales targets are met in the future. The District has received payment for March 2010 on the “off roll” O&M Assessments and further hearings are scheduled.

The District is in the process of preparing “proofs of claim” to document its secured claims and intends to file claims on or before May 10, 2010. At this early stage of proceedings, the District is confident that the Developer will continue to pay the “off roll” assessments on a current basis through the course of the proceedings; however, the likelihood of complete recovery cannot yet be determined. It is anticipated, however, that the District’s liens will remain preserved throughout the reorganization.

Long-Term Liabilities

Series 1999

In November 2009 the District prepaid \$85,000 of the Series 1999A Bonds and \$90,000 of the Series 1999B Bonds. The prepayments were considered extraordinary mandatory redemptions as outlined in the Bond Indentures.

Series 2006

Subsequent to September 30, 2009 the District prepaid \$30,000 of the Series 2006 Bonds. The prepayments were considered extraordinary mandatory redemptions as outlined in the Bond Indentures.

NOTE 12 – SUBSEQUENT EVENTS (Continued)

Series 2002 and Series 2005

Subsequent to September 30, 2009, the District and the Bondholders entered into the First Amendment (the “Amendment”) to the Master Trust Indenture and Fourth Supplemental Indenture and Fifth Supplemental Indenture regarding the series 2002 Bonds and the series 2005 Bonds.

In accordance with the Amendment, the District directed the Trustee to transfer \$29,129 from the Series 2002A reserve subaccount and \$15,303 from the Series 2002B reserve subaccount and deposited the same into the Series 2002 remedial expenditure account and also directed the Trustee to transfer \$55,568 from the Series 2005 acquisition and construction account and deposited the same into the Series 2005 remedial expenditure account. Moneys on deposit in the remedial expenditure accounts are only to be used to pay remedial fees (legal fees and expenses, and consultant charges related to the preparation for and enforcement of a foreclosure action to enforce the collection of delinquent Special Assessments). Any remedial fees that are incurred by parties must be approved by a majority of the Bondholders in order to be paid from the remedial expenditure account except for the Trustee, which shall not require the approval of a majority of the Bondholders. An expense request shall be paid based on the following basis: (1) 44% of the expense shall be paid from the Series 2002 remedial expenditure account and (2) 56% of the expense shall be paid from the Series 2005 remedial expenditure account.

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1
COLLIER 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		
REVENUES			
Assessments	\$ 2,760,758	\$ 2,744,126	\$ (16,632)
Interest	39,048	4,517	(34,531)
Miscellaneous income	5,000	17,659	12,659
Total revenues	2,804,806	2,766,302	(38,504)
EXPENDITURES			
Current:			
General government	372,768	320,481	52,287
Maintenance and operations	1,813,308	1,575,654	237,654
Debt Service:			
Principal and interest	633,435	655,608	(22,173)
Total expenditures	2,819,511	2,551,743	267,768
Excess (deficiency) of revenues over (under) expenditures	(14,705)	214,559	229,264
OTHER FINANCING SOURCES			
Transfers In	-	13,513	13,513
Net change in fund balances	\$ (14,705)	228,072	\$ 242,777
Fund balance - beginning		632,268	
Fund balance - ending		\$ 860,340	

See notes to required supplementary information

**FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT 1
COLLIER 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, 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
Fiddler's Creek Community Development District 1
Collier County, Florida

We have audited the financial statements of the governmental activities and each major fund of Fiddler's Creek Community Development District 1, Collier 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 April 14, 2010, which has an emphasis of matter paragraph. 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, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in a separate letter dated April 14, 2010.

The District's response to the finding identified in our audit is described in a separate letter dated April 14, 2010. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management, Board of Supervisors of Fiddler's Creek Community Development District 1, Collier 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 "G. J. Cant".

April 14, 2010

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

To the Board of Supervisors
Fiddler's Creek Community Development District 1
Collier County, Florida

We have audited the accompanying basic financial statements of Fiddler's Creek Community Development District 1 ("District") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated April 14, 2010, which has an emphasis of matter paragraph.

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 April 14, 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 Fiddler's Creek Community Development District 1, Collier 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 Fiddler's Creek Community Development District 1, Collier 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.



April 14, 2010

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Noncompliance:

Debt Service Reserve

Observation: The District incurred unscheduled draws on the Series 2002A and 2002B Debt Service Reserve Account of approximately \$470,000 and \$246,000, respectively in June 2009. As a result, at September 30, 2009, the reserve accounts reflected a deficit of approximately (\$491,000) and (\$254,000), respectively. The District incurred unscheduled draws on the Series 2005 Debt Service Reserve Account of approximately \$660,000 in May 2009. As a result, at September 30, 2009, the reserve account reflected a deficit of approximately (\$659,000).

Recommendation: The District should take the necessary steps to replenish the Series 2002A, 2002B and 2005 Debt Service Reserve Accounts.

Management Response: The District, the Bondholders and the Trustee are aware of these reductions and these parties will determine if the reserve balances are to be replenished or if the requirement will be amended at some point in the future.

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, except as disclosed above.

4. Violations of provisions of contracts or grant agreements, or abuse 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, 2009, except as disclosed above.

REPORT TO MANAGEMENT (Continued)

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. Control deficiencies 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, 2009, except as disclosed above.

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.
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.