

**BOGGY CREEK IMPROVEMENT DISTRICT  
ORLANDO, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2009**

**BOGGY CREEK IMPROVEMENT DISTRICT  
ORLANDO, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Boggy Creek Improvement District  
Orlando, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Boggy Creek Improvement District, Orlando, Florida (the "District") as of and for the fiscal year ended September 30, 2009, which 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2009, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and the 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.

*Grau & Associates*  
November 29, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Boggy Creek Improvement District, Orlando, 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 \$607,931.
- The District's total net assets decreased by (\$1,642) 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 \$0.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's 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 Developer contributions and advances. 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

### Governmental Funds

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

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

The District maintains two 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 and the capital projects fund which are considered 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 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,	
	2009	2008
Assets, excluding capital assets	\$ 1,391,830	\$ 1,361,097
Capital assets	28,468,169	12,656,596
Total assets	<u>29,859,999</u>	<u>14,017,693</u>
Liabilities, excluding long-term liabilities	1,391,830	1,359,452
Long-term liabilities	27,860,238	12,048,668
Total liabilities	<u>29,252,068</u>	<u>13,408,120</u>
Net Assets		
Invested in capital assets, net of related debt	607,931	607,928
Unrestricted	-	1,645
Total net assets	<u>\$ 607,931</u>	<u>\$ 609,573</u>

The largest 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 landowners; 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)

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			
Operating grants and contributions	\$	192,545	\$ 98,674
Capital grants and contributions		-	577,191
Total revenues		<u>192,545</u>	<u>675,865</u>
Expenses:			
General government		109,311	98,674
Maintenance and operations		84,876	-
Total expenses		<u>194,187</u>	<u>98,674</u>
Change in net assets		(1,642)	577,191
Net assets - beginning		609,573	32,382
Net assets - ending	\$	<u>607,931</u>	<u>\$ 609,573</u>

Program revenues in the current and prior year were comprised primarily of Developer contributions. The decrease in program revenues from fiscal year 2008 to 2009 is a result of a Developer contribution of infrastructure, which was non-recurring in the current year.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. 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	\$	109,311	2%	\$ 98,674	1%
Maintenance		84,876	1%	-	0%
Capital outlay		7,353,497	97%	11,150,621	99%
	\$	<u>7,547,684</u>	<u>100%</u>	<u>\$ 11,249,295</u>	<u>100%</u>

As noted above, capital outlay comprised the majority of expenditures for total governmental activities in 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, 2009.

## CAPITAL ASSETS

At September 30, 2009, the District had \$28,468,169 invested in infrastructure under construction. In the government-wide financial statements, no depreciation was taken as the project has not been completed. More detailed information about the District's capital assets is presented in the notes to the financial statements.

## CAPITAL DEBT

At September 30, 2009, the District owed the Developer \$27,860,238 for its governmental activities. More detailed information about the District's obligations to the Developer is presented in the notes to the financial statements.

## FUTURE EVENTS

The District has approved a Resolution to issue bonds not to exceed \$45,000,000. As of the report date, no bonds have been issued.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, 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 Boggy Creek Improvement District's Finance Department at 12051 Corporate Boulevard, Orlando, Florida, 32817.

**BOGGY CREEK IMPROVEMENT DISTRICT  
ORLANDO, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 51,727
Investments	636
Due from Developer	1,327,066
Due from other government	8,401
Prepays	4,000
Capital assets:	
Infrastructure under construction	<u>28,468,169</u>
Total assets	<u>29,859,999</u>
 <b>LIABILITIES</b>	
Accounts payable	27,299
Contracts and retainage payable	1,349,433
Deferred revenue	15,098
Non-current liabilities:	
Due to Developer	<u>27,860,238</u>
Total liabilities	<u>29,252,068</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	607,931
Unrestricted	-
Total net assets	<u><u>\$ 607,931</u></u>

See notes to the financial statements

**BOGGY CREEK IMPROVEMENT DISTRICT  
ORLANDO, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:				
Governmental activities:				
General government	\$ 109,311	\$ 109,311	\$ -	\$ -
Maintenance and operations	84,876	83,234	-	(1,642)
Total governmental activities	<u>194,187</u>	<u>192,545</u>	<u>-</u>	<u>(1,642)</u>
				(1,642)
				609,573
				<u>\$ 607,931</u>

See notes to the financial statements

**BOGGY CREEK IMPROVEMENT DISTRICT  
ORLANDO, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	Major Fund		Total Governmental Funds
	General	Capital Projects	
<b>ASSETS</b>			
Cash	\$ 29,360	\$ 22,367	\$ 51,727
Investments	636	-	636
Due from Developer	-	1,327,066	1,327,066
Due from other government	8,401	-	8,401
Prepays	4,000	-	4,000
Total assets	<u>\$ 42,397</u>	<u>\$ 1,349,433</u>	<u>\$ 1,391,830</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 27,299	-	\$ 27,299
Contracts and retainage payable	-	1,349,433	1,349,433
Deferred revenue	15,098	-	15,098
Total liabilities	<u>42,397</u>	<u>1,349,433</u>	<u>1,391,830</u>
Fund balances:			
Unreserved, reported in:			
General fund	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 42,397</u>	<u>\$ 1,349,433</u>	<u>\$ 1,391,830</u>

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

Fund balance - governmental funds	\$ -
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 in the net assets of the government as a whole.	
Cost of capital assets	28,468,169
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.	
Due to Developer	(27,860,238)
Net assets of governmental activities	<u>\$ 607,931</u>

See notes to the financial statements

**BOGGY CREEK IMPROVEMENT DISTRICT  
ORLANDO, 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	Capital Projects	
<b>REVENUES</b>			
Developer contributions	\$ 192,545	\$ -	\$ 192,545
Total revenues	<u>192,545</u>	<u>-</u>	<u>192,545</u>
<b>EXPENDITURES</b>			
Current:			
General government	109,311	-	109,311
Maintenance	84,876	-	84,876
Capital outlay	-	7,353,497	7,353,497
Total expenditures	<u>194,187</u>	<u>7,353,497</u>	<u>7,547,684</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,642)</u>	<u>(7,353,497)</u>	<u>(7,355,139)</u>
<b>OTHER FINANCING SOURCES</b>			
Developer advances	-	7,353,497	7,353,497
Total other financing sources	<u>-</u>	<u>7,353,497</u>	<u>7,353,497</u>
Net change in fund balances	(1,642)	-	(1,642)
Fund balances - beginning	<u>1,642</u>	<u>-</u>	<u>1,642</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances - total governmental funds			\$ (1,642)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is eliminated and capitalized as capital assets.			
			7,353,497
Proceeds from Developer are not reported as liabilities in the governmental fund financial statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.			
			<u>(7,353,497)</u>
Change in net assets of governmental activities			<u>\$ (1,642)</u>

See notes to the financial statements

**BOGGY CREEK IMPROVEMENT DISTRICT  
ORLANDO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

**Reporting Entity**

Boggy Creek Improvement District ("District") was established in 2001 by the City of Orlando City Commissioners pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, under City of Orlando Ordinance 011126701. 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. In the past, the District's boundaries were amended by reducing the District by approximately 421 acres and then later increasing the boundaries by 11.758 acres.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2009, the majority of the Board members are affiliated with the Lake Nona Land Company, L.L.C. ("Developer"). The Developer owns certain land within the District, and the District is economically dependent on the Developer.

The Board has the final responsibility for:

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

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

**Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

For the fiscal year ended September 30, 2009, the District was funded primarily by Developer contributions.

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.

#### Capital Projects Fund

This fund accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

#### Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants.

#### Deposits and Investments

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

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;
- e) Short-term Bond Funds.

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

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

#### Deposits and Investments (Continued)

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.

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

#### Prepaid Items

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 District 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. No depreciation has been recorded as the capital assets are under construction. Major outlays for capital assets and improvements are capitalized as projects are constructed.

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures.

#### 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.

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.

## 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 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.

## 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:

	Fair Value	Credit Risk	Weighted average life of the fund
Investment in Local Government Surplus Trust Funds Investment Pool - Fund B	\$ 636	Not rated	6.69 years
Total investments	<u>\$ 636</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 investments 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. As evidenced in the preceding summary of investments, the District's investment is not rated.

### NOTE 3 – CASH 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.

### NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Infrastructure under construction	\$ 12,656,596	\$ 16,318,516	\$ (506,943)	\$ 28,468,169
Total capital assets, not being depreciated	<u>12,656,596</u>	<u>16,318,516</u>	<u>(506,943)</u>	<u>28,468,169</u>
Governmental activities capital assets	<u>\$ 12,656,596</u>	<u>\$ 16,318,516</u>	<u>\$ (506,943)</u>	<u>\$ 28,468,169</u>

The total projected cost of all infrastructure improvements for the District has been estimated at approximately \$86,800,000. The District anticipates issuing Bonds to cover the cost of future infrastructure improvements. No Bonds were issued during or prior to the fiscal year ended September 30, 2009. As discussed at Note 5 – Related Party Transactions, upon issuance of Bonds, the Developer will be reimbursed for construction costs paid and infrastructure previously conveyed to the District. Certain improvements will be conveyed to other governmental entities upon completion of the project.

### NOTE 5 – RELATED PARTY TRANSACTIONS

#### Developer Transactions

As the majority of the land is currently owned by the Developer, and the Developer has agreed to fund the general operations of the District, the District is economically dependent on the Developer. In connection with that agreement, Developer contributions during fiscal year ended September 30, 2009 for the general fund were \$192,545.

The Developer has agreed to make available to the District such monies as are necessary to enable the District to proceed with the construction project discussed in Note 4 – Capital Assets. Pursuant to this agreement, it is intended that infrastructure costs and land acquisitions required for the infrastructure improvements be funded by the Developer. Funds provided by the Developer in accordance with the Construction Funding Agreement, are intended to be reimbursable from proceeds of the District's future issuance of bonds. If the District does not, or cannot issue bonds to provide funds for the construction project within five years of the date of the Construction Funding Agreement (February 20, 2006), amounts will be deemed Developer contributions. During the current year, Developer proceeds for project related expenditures were \$7,353,498, of which \$1,327,066 is receivable at September 30, 2009. As of September 30, 2009, a total of \$27,860,238 is due to the Developer. This amount is reflected as a non-current liability in the government-wide financial statements.

Due to Developer activity for the fiscal year ended September 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Due to Developer	<u>\$ 12,048,668</u>	<u>\$ 16,318,516</u>	<u>\$ (506,946)</u>	<u>\$ 27,860,238</u>	<u>\$ -</u>

## NOTE 5 – RELATED PARTY TRANSACTIONS (Continued)

### Other Related Party Transactions

The District entered into an interlocal agreement related to cost sharing for certain infrastructure projects with two other related districts; Greenway and Myrtle Creek. These districts are related through a common Developer. The agreement provides for the improvements to be constructed, acquired or otherwise provided by Boggy Creek and that Boggy Creek will be reimbursed for these costs from Greenway and Myrtle Creek. The projected costs related to the agreement were projected at approximately \$33,800,000 with the costs to be split 28% for the District, 40.5% for Greenway, and 31.5% for Myrtle Creek. In addition, costs attributable to the Lake Nona East/West Connector Roadway, which were to be borne solely from Myrtle Creek or the Developer, for approximately \$21,950,000 were included as part of the interlocal agreement for construction efficiencies rather than cost allocation.

In December 2008, based upon an affidavit from the Developer, it was determined that the actual costs related to the agreement were approximately \$26.7 million. In January 2009, the District amended the agreement related to cost sharing for certain infrastructure projects with the other districts. The amendment was a result of boundary amendments undertaken by Greenway and the District. The agreement provides for the improvements to be constructed, acquired, or otherwise provided by the District and reimbursed for these costs by Myrtle Creek and Greenway. The costs related to the amended agreement were approximately \$26.7 million with the costs to be split 31.5% for Myrtle Creek, 32.5% for the District, and 36% for Greenway. The District's portion of the cost of \$8,687,367 will be reimbursed to the Developer upon issuance of Bonds.

Boggy Creek and Myrtle Creek entered into an interlocal agreement to acquire additional infrastructure from the Developer. In July 2009, the District acquired Gateway Road project assets for approximately \$782,000. Per agreement, the allocation is: Myrtle Creek 50.1% and Boggy Creek 49.9%. Based on the cost share allocation, the District's portion of the cost is approximately \$390,000. The remaining balance was received by Myrtle Creek in the current fiscal year. The amount received from Myrtle Creek was reimbursed to the Developer as the Developer provided the funding for the project.

The current year deletion represents costs previously incurred by Boggy Creek for the Interchange project, which have been included in the allocated cost of Interchange infrastructure for Myrtle Creek and Greenway in the current year. The current year additions to the capital assets and due to Developer were reduced by the District's share of cost previously recorded related to the Interchange project of \$244,085. In addition, infrastructure of \$42,600 was transferred from Greenway to the District; therefore, the associated asset and liability is recorded by Boggy Creek on the government-wide financial statements.

A reconciliation of the increase in Due to Developer is as follows:

Improvements funded by Developer advances	\$ 7,353,497
Road Improvements Interchange Project	8,687,367
Road Improvements Gateway Project	390,173
Trees donated by the Developer	88,964
Asset and liability transferred from Greenway	42,600
Less: costs recorded in prior year	(244,085)
Total Increases	<u>\$ 16,318,516</u>

In addition, the Districts entered into an amended and restated cost share agreement whereby each district paid interchange maintenance costs based on the cost allocation denoted above. In connection with the interchange, the District incurred maintenance expenditures of \$67,518 which was paid in the current year.

## NOTE 6 – 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 7 – 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. There have been no claims from these risks over the past three years.

## **NOTE 8 – SUBSEQUENT EVENT**

### **Developer Agreement**

On October 19, 2009, the District and Developer amended the Bond Financing Team Funding Agreement whereby, in the event that District bonds are not issued within seven year of the amendment, all funds provided by the Developer would be deemed Developer contributions.

### **Future Bond Issuance**

The District has approved a Resolution to issue bonds not to exceed \$45,000,000. As of the report date, no bonds have been issued.

**BOGGY CREEK IMPROVEMENT DISTRICT  
ORLANDO, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND  
FOR THE FISCAL YEAR ENDED TO SEPTEMBER 30, 2009**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Developer contributions	\$ 289,525	\$ 192,545	\$ (96,980)
Total revenues	<u>289,525</u>	<u>192,545</u>	<u>(96,980)</u>
<b>EXPENDITURES</b>			
Current:			
General government	103,925	109,311	(5,386)
Maintenance	185,600	84,876	100,724
Total expenditures	<u>289,525</u>	<u>194,187</u>	<u>95,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>(1,642)</u>	<u>\$ (1,642)</u>
Fund balance - beginning		<u>1,642</u>	
Fund balance - ending		<u>\$ -</u>	

See notes to required supplementary information

**BOGGY CREEK IMPROVEMENT DISTRICT  
ORLANDO, 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  
Boggy Creek Improvement District  
Orlando, Florida

We have audited the basic financial statements of the governmental activities and each major fund of Boggy Creek Improvement District, Orlando, Florida (the "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 November 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 Boggy Creek Improvement District, Orlando, 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.

*Grau & Associates*  
November 29, 2010

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

To the Board of Supervisors  
Boggy Creek Improvement District  
Orlando, Florida

We have audited the accompanying basic financial statements of Boggy Creek Improvement District, Orlando, Florida ("District") as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated November 29, 2010.

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

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated November 29, 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 Boggy Creek Improvement District, Orlando, 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 Boggy Creek Improvement District, Orlando, 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.

*Grau & Associates*

November 29, 2010

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2008.

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

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

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2009.

4. Violations of 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.

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.

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.

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

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.