

Boggy Creek Improvement District

Financial Statements

September 30, 2010

Boggy Creek Improvement District
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Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

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 (hereinafter referred to as "District"), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 6 and on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Carr, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
September 30, 2011

Management's Discussion And Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Boggy Creek Improvement District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the District's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- At September 30, 2010, the assets of the District exceeded its liabilities by approximately \$677,000.
- During the fiscal year ended September 30, 2010, the District established additional infrastructure of approximately \$942,000.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 7 – 8 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

Our analysis of the District as a whole begins on page 3. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the Districts' net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 4. The fund financial statements begin on page 9 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- *Governmental funds* – All of the District’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. We describe the relationship (or differences) between governmental activities and governmental funds in reconciliation with the fund financial statements.

THE DISTRICT AS A WHOLE

The following table reflects the condensed Statement of Net Assets and is compared to the prior year.

<i>September 30,</i>	2010	2009	Change
Assets			
Current and other assets	\$ 288,570	\$ 1,391,830	\$ (1,103,260)
Capital assets, not being depreciated	29,409,862	28,468,169	941,693
Total assets	\$ 29,698,432	\$ 29,859,999	\$ (161,567)
Liabilities			
Current liabilities	\$ 201,939	\$ 1,391,830	\$ (1,189,891)
Other liabilities	28,819,397	27,860,238	959,159
Total liabilities	29,021,336	29,252,068	(230,732)
Net assets			
Invested in capital assets, net of related debt	590,465	607,931	(17,466)
Unrestricted	86,631	-	86,631
Total net assets	677,096	607,931	69,165
Total liabilities and net assets	\$ 29,698,432	\$ 29,859,999	\$ (161,567)

For more detailed information, see the accompanying Statement of Net Assets.

During the fiscal year ended September 30, 2010, total assets and liabilities decreased by approximately \$162,000 and \$231,000, respectively. The decrease in assets is primarily due to a decrease in accounts receivable. The decrease in liabilities is largely a result the decrease in accounts payable at year end.

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>Year ended September 30,</i>	2010	2009	Change
Revenues:			
Program revenues:			
Charges for services	\$ 284,990	\$ 192,545	\$ 92,445
Total revenues	284,990	192,545	92,445
Expenses:			
General government	215,825	197,187	18,638
Total expenses	215,825	194,187	21,638
Increase (decrease) in net assets	69,165	(1,642)	70,807
Net assets, beginning	607,931	609,573	(1,642)
Net assets, ending	\$ 677,096	\$ 607,931	\$ 69,165

For more detailed information, see the accompanying Statement of Activities.

Revenues and expenses increased by approximately \$92,000 and \$22,000, respectively, over the prior year. The increase in revenues is due to an increase in Developer funding for operations. The increase in expenses is due to the increase in maintenance costs. The overall result was an approximate \$69,000 increase in net assets for fiscal year 2010.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the Balance Sheet on page 9) reported a combined fund balance deficit of approximately \$51,000 deficit, which is a decrease from last year's balance. The most significant transaction during the year related to the District's establishment of additional infrastructure totaling approximately \$942,000 within the Capital Projects Fund. The overall decrease in fund balance for the year ended September 30, 2010 totaled approximately \$51,000 and was largely the result of delays in receiving Developer funding.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An Operating budget was established by the governing board for the District pursuant to the requirements of the Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown at page 21.

The District experienced a favorable variance in revenues and expenditures as compared to the budget in the amount of \$6,843 and \$62,322, respectively. These differences occurred primarily due to additional contributions from the Developer and anticipated budgeted operating expenditures that were not incurred during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2010, the District had approximately \$29.4 million invested in capital assets. This amount represents a net increase (including additions and deletions) of approximately \$942,000 over the fiscal year 2009 total.

A listing of capital assets by major category for the current and prior year follows:

<i>September 30,</i>	2010	2009	Change
Infrastructure under construction	\$ 29,409,862	\$ 28,468,169	\$ 941,693
Net capital assets	\$ 29,409,862	\$ 28,468,169	\$ 941,693

More information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At September 30, 2010, the District owed approximately \$28.8 million to the Developer. This amount represents an increase of approximately \$959,000 over prior year amounts.

A listing of debt amounts outstanding for the current and prior year is as follows:

<i>September 30,</i>	2010	2009	Change
Due to developer	\$ 28,819,397	\$ 27,860,238	\$ 959,159
Total	\$ 28,819,397	\$ 27,860,238	\$ 959,159

More information about the District's long-term debt is presented in Note 5 to the financial statements.

FUTURE FINANCIAL FACTORS

Boggy Creek Improvement District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates.

In December 2010, the District issued \$36,955,000 of Special Assessment Revenue Bonds, Series 2010, with interest rates between 6.50% and 7.25%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Boggy Creek Improvement District's management company, Fishkind & Associates, Inc., at 12051 Corporate Blvd., Orlando, Florida 32817.

Basic Financial Statements

Boggy Creek Improvement District

Statement of Net Assets

<i>September 30,</i>	2010
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 100,000
Investments	633
Accounts receivable, net	182,437
Prepaid expenses	5,500
Capital assets:	
Not being depreciated	29,409,862
Total assets	29,698,432
Liabilities	
Accounts payable	196,939
Retainage payable	5,000
Non-current liabilities:	
Due to Developer	28,819,397
Total liabilities	29,021,336
Net assets	
Invested in capital assets, net of related debt	590,465
Unrestricted	86,631
Total net assets	\$ 677,096

See accompanying notes to financial statements.

Boggy Creek Improvement District

Statement of Activities

Year ended September 30,

2010

Functions/Programs	Expenses	Charges for Services	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in <u>Net Assets</u>
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ (215,825)	\$ 284,990	\$ -	\$ -	\$ 69,165
Total governmental activities	\$ (215,825)	\$ 284,990	\$ -	\$ -	69,165
Change in net assets					69,165
Net assets - beginning of the year					607,931
Net assets - end of the year					\$ 677,096

See accompanying notes to financial statements.

Boggy Creek Improvement District

Balance Sheet - Governmental Funds

September 30,

2010

	General		Capital Projects		Total Governmental Funds
Assets					
Cash and cash equivalents	\$	77,667	\$	22,333	\$ 100,000
Investments		633		-	633
Accounts receivable, net		15,155		167,282	182,437
Prepaid expenditures		5,500		-	5,500
Total assets	\$	98,955	\$	189,615	\$ 288,570
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$	29,657	\$	167,282	\$ 196,939
Retainage payable		-		5,000	5,000
Deferred revenue		-		137,395	137,395
Total liabilities		29,657		309,677	339,334
Fund balances					
Reserved for capital projects		-		(120,062)	(120,062)
Reserved for prepaid expenditures		5,500		-	5,500
Unreserved, undesignated		63,798		-	63,798
Total fund balances (deficit)		69,298		(120,062)	(50,764)
Total liabilities and fund balances	\$	98,955	\$	189,615	\$ 288,570

See accompanying notes to financial statements.

Boggy Creek Improvement District

Reconciliation of the Balance Sheet to the Statement of Net Assets

<i>September 30,</i>	2010
Total fund balance (deficit), governmental funds	\$ (50,764)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund level statements.	29,409,862
Liabilities not due and payable from current resources, including due to developer and deferred revenue, are not reported in the fund level statements.	(28,682,002)
Total net assets - governmental activities	\$ 677,096

See accompanying notes to financial statements.

Boggy Creek Improvement District

Statement of Revenues, Expenditures and Changes in Fund Balances-
Governmental Funds

<i>Year ended September 30,</i>	2010		
	General	Capital Projects	Total Governmental Funds
Revenues			
Assessments	\$ 284,990	\$ -	\$ 284,990
Total revenues	284,990	-	284,990
Expenditures			
Current:			
General government	215,825	-	215,825
Capital outlay	-	941,693	941,693
Total expenditures	215,825	941,693	1,157,518
Excess (deficit) of revenues over expenditures	69,165	(941,693)	(872,528)
Other Financing Sources (Uses)			
Developer advance	-	821,764	821,764
Transfer in	133	-	133
Transfer out	-	(133)	(133)
Total other financing sources (uses)	133	821,631	821,764
Net change in fund balances	69,298	(120,062)	(50,764)
Fund balances, beginning of year	-	-	-
Fund balances (deficit), end of year	\$ 69,298	\$ (120,062)	\$ (50,764)

See accompanying notes to financial statements.

Boggy Creek Improvement District

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

<i>Year ended September 30,</i>	2010
Net change in fund balances - governmental funds	\$ (50,764)
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Assets.	941,693
Governmental funds report proceeds for capital outlay from Developer as advances, whereas these proceeds are eliminated in the Statement of Activities and recognized as a liability in the Statement of Net Assets.	<u>(821,764)</u>
<u>Change in net assets of governmental activities</u>	<u>\$ 69,165</u>

See accompanying notes to financial statements.

NOTE 1 – NATURE OF ORGANIZATION

The Boggy Creek Improvement District (the “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 three times. The District currently consists of 1,085 acres.

The District is governed by a Board of Supervisors (“Board”), which is comprised of five members. The Supervisors are elected on an at large basis by the owners of the property within the District. The majority of the Board of Supervisors are affiliated with the developer of the community, Lake Nona Land Company, LLC (the “Developer”). The Developer owns certain land within the District, and the District is economically dependent on the Developer. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

1. Assessing and levying special 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.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP). The primary criteria for including organizations within the District’s reporting entity, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, is financial accountability. The District is financially accountable if it appoints a voting majority of the organization’s governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. Based on the foregoing criteria, no potential component units were found.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2010, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

The preparation of government-wide financial statements includes the application of both GASB pronouncements and those of the Financial Accounting Standards Board (FASB) issued before November 30, 1989.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of 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 the related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and other 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Developer contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

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

For the year ended September 30, 2010, the District does not report any proprietary funds.

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.

Cash, Deposits and Investments

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by *GASB, Statement Number 40, Deposits and Investment Disclosures (An Amendment of GASB, Statement Number 3)*.

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others direct obligations of the United States Treasury; the Local Government Surplus Funds Trust as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

Capital Assets

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column 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 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Upon being placed in service, property, plant and equipment of the primary government will be depreciated using the straight-line method over the assets' estimated useful lives.

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.

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 or effective interest rate method. Bonds payable are reported net of premiums or discounts.

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

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. Designation of fund balance represents 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 net assets restricted by the District's bond covenants.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with generally accepted accounting principles for the general fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

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 significant budget changes must be approved by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

NOTE 3 – INVESTMENTS

All investments held at September 30, 2010, are reported at fair value based on quoted market prices, which approximates amortized cost.

The following is a summary of the District's investments:

<i>September 30,</i>	2010	Credit Risk	Weighted Average Maturities
State Board Administration Investment Pool B	\$ 633	not rated	7.49 years
Total investments	\$ 633		

Concentration risk – The District's investment policy requires diversification, but does not specify limits on types of investments.

Custodial credit risk – For an investment, custodial credit risk is the risk that 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. At September 30, 2010, the investment listed above is not exposed to custodial credit risk because its existence is not evidenced by a security that exists in physical or book entry form.

NOTE 3 – INVESTMENTS (CONTINUED)

Interest rate risk – The District does not have a formal policy for addressing interest rate risk; however, investments are made with discretion, to seek reasonable returns, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values from interest rate changes by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2010:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Infrastructure under construction	\$ 28,468,169	\$ 941,693	\$ -	\$ 29,409,862
Total capital assets, not being depreciated	28,468,169	941,693	-	29,409,862
Governmental activities capital assets, net	\$ 28,468,169	\$ 941,693	\$ -	\$ 29,409,862

The total projected cost of the infrastructure improvements has been estimated at \$86.8 million. Pursuant to the Construction Funding Agreement, it is intended that infrastructure costs and land acquisitions required for the infrastructure improvements to be funded by the Developer and future issuance of bonds. The District issued Bonds subsequent to year end to cover the cost of certain infrastructure improvements. As discussed in Note 5, upon the 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 – DEVELOPER TRANSACTIONS

During the year ended September 30, 2010, the Developer contributed \$144,576 to the General Fund. In addition, the Developer has agreed to make available to the District such funds as are necessary to enable the District to continue the construction projects as discussed in Note 4 above. Funds provided by the Developer, in relation to the construction projects, are intended to be reimbursable from proceeds of the District's future issuance of bonds.

During the year ended September 30, 2010, Developer advances for project related expenditures totaled \$959,159, of which \$167,282 is receivable as of September 30, 2010. On the fund level financial statements, the District has deferred Developer advances totaling approximately \$137,395 because these advances did not represent currently available resources. The total amount due to the Developer is \$28,819,397 as of September 30, 2010. This amount is reflected as a non-current liability in the Statement of Net Assets.

Boggy Creek Improvement District

Notes to Financial Statements

NOTE 5 – DEVELOPER TRANSACTIONS (CONTINUED)

Due to Developer activity for the fiscal year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<i>Governmental Activities</i>				
Due to Developer	\$ 27,860,238	\$ 959,159	\$ -	\$ 28,819,397
	\$ 27,860,238	\$ 959,159	\$ -	\$ 28,819,397

NOTE 6 – OTHER RELATED PARTY TRANSACTIONS

The District entered into an interlocal agreement related to cost sharing for certain infrastructure projects with Myrtle Creek Improvement District (“Myrtle Creek”) and Greenway Improvement District (“Greenway”). These districts are related through a common developer. The agreement provides for the improvements to be constructed, acquired or otherwise provided by the District and that the District will be reimbursed for these costs from Myrtle Creek and Greenway. The projected costs related to the agreement total approximately \$26.7 million, with costs to be split 32.5% for the District, 36% for Greenway and 31.5% for Myrtle Creek. In addition, the Districts entered into a cost sharing agreement whereby each district paid interchange maintenance costs based on the cost allocation. In connection with the interchange, the District recorded reimbursements totaling \$150,059, of which \$15,155 is receivable as of September 30, 2010. The District’s maintenance expenditures accounts related to the interchange are shown net of reimbursements from Myrtle Creek and Greenway.

In addition, the District entered into a cost sharing agreement with Myrtle Creek whereby the District is to pay maintenance costs associated with Lake Nona Gateway Road. The District has agreed to share the maintenance costs based on the cost allocation of 50.1% for the Myrtle Creek and 49.9% for the District. The District’s maintenance expenditures related to the roadway were insignificant during the current fiscal year.

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 maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. The District has not received any insurance claims under the commercial coverage in any of the previous three fiscal years.

NOTE 8 – 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 10 – CONCENTRATION

A significant portion of the District's activity is dependent upon the continued involvement of the Developer, Lake Nona Land Company, LLC, the loss of which could have a materially adverse effect on the District's operations. At September 30, 2010, the Developer owned a significant amount of the assessable property located within the District boundaries.

NOTE 11 – SUBSEQUENT EVENT

On December 29, 2010, the District issued \$36,955,000 of Special Assessment Revenue Bonds, Series 2010, with interest rates between 6.50% and 7.25%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is due semiannually on each May 1 and November 1, commencing May 1, 2011. Principal on the series 2010 is due in annual installments beginning May 1, 2013 through May 1, 2036.

In connection with the bond issuance, the District remitted approximately \$30.3 million to Lake Nona Land Company, LLC reducing the Due to Developer liability.

Required Supplemental Information
(Other Than MD&A)

Boggy Creek Improvement District

Budget to Actual Comparison Schedule - General Fund

<i>Year ended September 30,</i>	2010		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Assessments	\$ 278,147	\$ 284,990	\$ 6,843
Total revenues	278,147	284,990	6,843
Expenditures			
General government	278,147	215,825	62,322
Total expenditures	278,147	215,825	62,322
Excess of revenues over expenditures	\$ -	\$ 69,165	\$ 69,165



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

**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 financial statements of the governmental activities and each major fund of Boggy Creek Improvement District (hereinafter referred to as the "District"), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements and have issued our report dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management, the Board of Supervisors, others within the District, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than those specified parties.

Caru, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
September 30, 2011



Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141
(850) 654-4619 (fax)
CRlcpa.com

MANAGEMENT LETTER

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

We have audited the financial statements of Boggy Creek Improvement District ("District") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated September 30, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report which is dated September 30, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District met the condition described in Section 218.503(1)(e), Florida Statutes. The District reported an accumulated fund balance deficit of \$(50,764) as of September 30, 2010. The financial emergency condition was a result of the timing of funding received from the developer and is not indicative of deteriorating financial condition.

The District's response to the finding identified above is as follows. We did not audit the District's response, and, accordingly, we express no opinion on it.

- *The District is aware of meeting the financial emergency condition due to timing. The condition was reversed in the following fiscal year when the funds were received.*

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information of the District and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
September 30, 2011