

**REEDY CREEK IMPROVEMENT DISTRICT  
Lake Buena Vista, Florida**



**Annual Financial Report  
Year Ended September 30, 2009**

**REEDY CREEK IMPROVEMENT DISTRICT**  
Lake Buena Vista, Florida

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2009

**REEDY CREEK IMPROVEMENT DISTRICT**  
**(LOCATED IN ORANGE AND OSECOLA COUNTIES)**  
**1900 HOTEL PLAZA BOULEVARD**  
**LAKE BUENA VISTA, FLORIDA**

**BOARD OF SUPERVISORS**

THOMAS B. DEWOLF, PRESIDENT  
DONALD R. GREER, VICE PRESIDENT  
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**DISTRICT ADMINISTRATOR**

CHARLES RAY MAXWELL

**DEPUTY DISTRICT ADMINISTRATOR**

WILLIAM L. WARREN

**COMPTROLLER**

ANN G. BLAKESLEE

**INDEPENDENT AUDITORS**

Ernst & Young LLP  
Orlando, Florida

**REEDY CREEK IMPROVEMENT DISTRICT**

**ANNUAL FINANCIAL REPORT**

Year Ended September 30, 2009

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## Report of Independent Certified Public Accountants

Honorable Board of Supervisors  
Reedy Creek Improvement District  
Lake Buena Vista, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Reedy Creek Improvement District (the District) as of and for the year ended September 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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. We were not engaged to perform an audit of the District's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, the business-type activities, and each major fund of the District as of September 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof and budgetary comparison information for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 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, 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.

The management's discussion and analysis and condition rating of the District's infrastructure and comparison of needed-to-actual maintenance preservation on pages 3 through 10 and 47 through 50, respectively, and management's schedule of funding progress for other post employment benefits on page 51 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

*Ernst + Young LLP*

January 20, 2010

## REEDY CREEK IMPROVEMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Reedy Creek Improvement District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

#### Financial Highlights

- The assets of the District exceeded liabilities at the close of the most recent fiscal year by \$77,869,941 (*net assets*).
- The District's total net assets increased during the year by \$16,888,407.
- The District's total noncurrent liabilities decreased by \$34,124,791 during the year.
- As of September 30, 2009, the District's governmental funds reported combined ending fund balances of \$38,211,727, a decrease of \$10,881,676 in comparison with the prior year. Approximately 30% of this total amount is *available for spending* at the government's discretion (*unreserved fund balance*).
- At September 30, 2009, unreserved fund balance for the general fund was \$11,420,491, or 23% of total general fund expenditures, including transfers.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**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 of 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 (e.g., arbitrage rebate owed but not due until a future year and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general government, public safety, physical environment and transportation. The business-type activities of the District include water, wastewater, reuse, gas, solid waste, chilled water, hot water and electric utility operations.

The government-wide financial statements can be found on pages 11 – 12 of this report.

## REEDY CREEK IMPROVEMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

**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. All of the funds of the District can be divided into two categories: governmental and proprietary funds.

*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 government'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and the capital projects fund, all of which are considered to be major funds.

The District adopts an annual legally appropriated budget for its general fund and debt service fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 13 – 17 of this report.

*Proprietary funds.* The District maintains one proprietary fund, the Utility Enterprise Fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses its enterprise fund to account for its eight utility operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 18 – 20 of this report.

**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. The notes to the financial statements can be found on pages 21 – 46 of this report.

**REEDY CREEK IMPROVEMENT DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$77,869,941 at September 30, 2009.

**District's Net Assets**

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Current and noncurrent assets	\$ 43,329,225	\$ 54,553,257	\$ 133,936,876	\$ 129,112,875	\$ 177,266,101	\$ 183,666,132
Capital assets	258,564,864	250,182,759	287,061,214	300,002,078	545,626,078	550,184,837
Total assets	301,894,089	304,736,016	420,998,090	429,114,953	722,892,179	733,850,969
Current liabilities *	23,489,508	23,387,199	64,985,206	58,809,921	88,474,714	82,197,120
Noncurrent liabilities	230,038,216	243,269,414	326,509,308	347,402,901	556,547,524	590,672,315
Total liabilities	253,527,724	266,656,613	391,494,514	406,212,822	645,022,238	672,869,435
Net assets:						
Invested in capital assets, net of related debt	181,231,342	175,392,865	(11,092,673)	(15,273,673)	170,138,669	160,119,192
Restricted	8,052,234	8,120,247	4,135,490	4,154,637	12,187,724	12,274,884
Unrestricted	(140,917,211)	(145,433,709)	36,460,759	34,021,167	(104,456,452)	(111,412,542)
Total net assets	\$ 48,366,365	\$ 38,079,403	\$ 29,503,576	\$ 22,902,131	\$ 77,869,941	\$ 60,981,534

\* includes current liabilities payable from restricted assets

The District's net assets include: 1) investment in capital assets (e.g., land, land improvements, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide infrastructure and services to businesses operating within the District; consequently, these assets are *not* available for future spending. Although the District's investment in its 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, 2) assets restricted for non operating uses such as capital and debt service, and 3) unrestricted assets. The investment in capital assets, net of related debt continues to increase as the related debt is paid.

Governmental activities reflect negative unrestricted net asset balances due to the financing, with long-term bonds of the District, of certain roadways that were subsequently donated to the State of Florida and long-term bonds issued in order to contribute to Osceola County's refinancing of their Transportation Improvement Bonds (Osceola Parkway). The roadways are not assets of the District, however the remaining debt associated with the roadways is a liability of the District amounting to approximately \$138 million. All of the bonds are Ad Valorem Tax bonds secured by an irrevocable lien on the ad valorem taxes collected by the District.

Business-type activities reflect a negative amount for invested in capital assets, net of related debt. This is due to the accumulated depreciation expense, which is netted against capital assets, exceeding the payments of principal on the bonds. Although the depreciable lives of the assets are matched up with the duration of the bonds, during the early years the primary portion of the debt service was interest expense, thus resulting in the debt carried on the books exceeding the depreciated value of the capital assets. As the principal portion of the debt service increases, as it has begun to do, this negative balance will reverse.

**REEDY CREEK IMPROVEMENT DISTRICT**

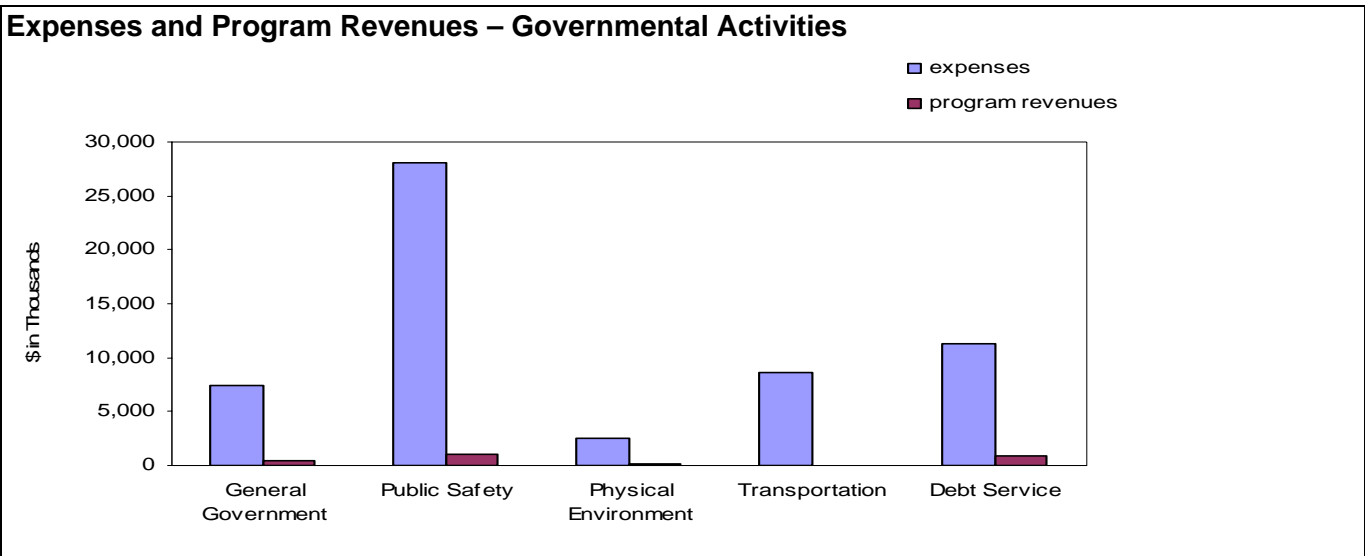
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**District's Changes in Net Assets**

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 1,455,361	\$ 2,052,761	\$ 196,065,452	\$ 191,783,857	\$ 197,520,813	\$ 193,836,618
Intergovernmental	851,220	2,508,430	-	-	851,220	2,508,430
Capital contributions	163,526	180,883	328,018	360,541	491,544	541,424
General revenues:						
Ad Valorem taxes-net	71,054,117	65,834,108	-	-	71,054,117	65,834,108
Interest income	1,636,579	2,790,668	531,490	2,210,343	2,168,069	5,001,011
Gain on sale of capital assets	4,653	5,879	(50,261)	12,826	(45,608)	18,705
Total revenues	75,165,456	73,372,729	196,874,699	194,367,567	272,040,155	267,740,296
Expenses:						
General Government	7,887,444	8,316,379	-	-	7,887,444	8,316,379
Public Safety	31,135,555	28,439,123	-	-	31,135,555	28,439,123
Physical Environment	2,613,670	2,624,222	-	-	2,613,670	2,624,222
Transportation	8,542,383	7,738,663	-	-	8,542,383	7,738,663
Utility operations	-	-	176,937,499	176,613,952	176,937,499	176,613,952
Interest on long-term debt	11,294,480	11,751,271	16,740,717	17,993,909	28,035,197	29,745,180
Total expenses	61,473,532	58,869,658	193,678,216	194,607,861	255,151,748	253,477,519
Increases (decreases) in net assets before transfers	13,691,924	14,503,071	3,196,483	(240,294)	16,888,407	14,262,777
Transfers	(3,404,962)	(2,884,285)	3,404,962	2,884,285	-	-
Change in net assets	10,286,962	11,618,786	6,601,445	2,643,991	16,888,407	14,262,777
Net assets - beginning	38,079,403	26,460,617	22,902,131	20,258,140	60,981,534	46,718,757
Net assets - ending	\$ 48,366,365	\$ 38,079,403	\$ 29,503,576	\$ 22,902,131	\$ 77,869,941	\$ 60,981,534

*Governmental activities.* Capital contributions decreased due to a decrease in the contribution from the Osceola Parkway operations. Ad valorem tax increased due to increased assessed values and an increased millage rate for the year. Interest rates in fiscal year 2009 decreased throughout the year generating a significant decreased in interest income.

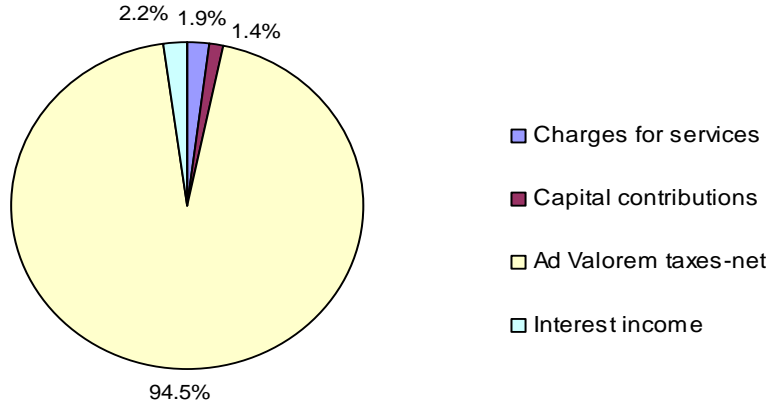
*Business-type activities.* Charges for services and utility operations expenses decreased slightly primarily due to ongoing efforts to stabilize fuel costs to the District.



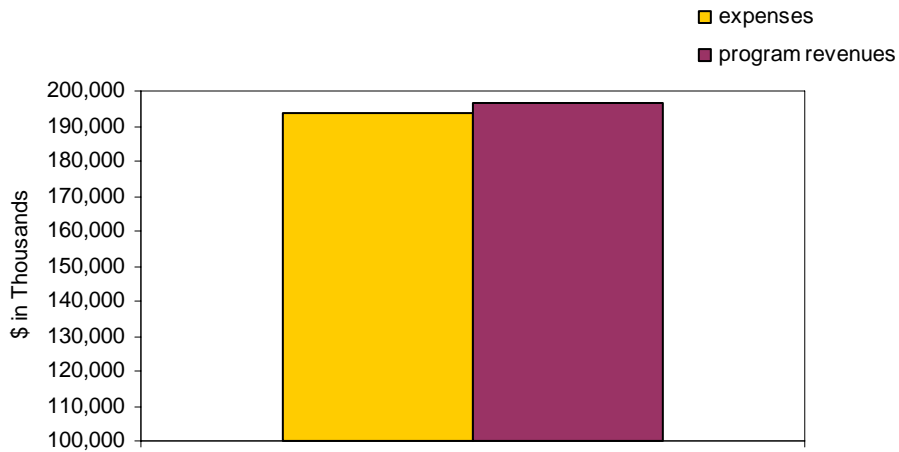
# REEDY CREEK IMPROVEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

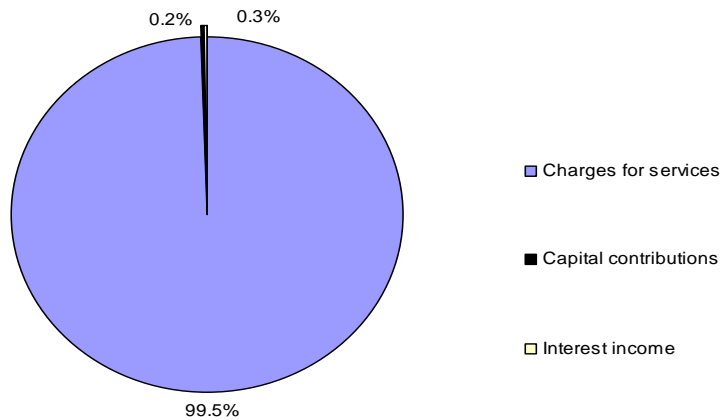
### Total Revenue by Source – Governmental Activities



### Expenses and Program Revenues – Business-type Activities



### Revenue by Source – Business-type Activities



## REEDY CREEK IMPROVEMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

#### **Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of September 30, 2009, the District's governmental funds reported combined fund balances of \$38,211,727. Approximately 30% of the total amount constitutes *unreserved fund balance* which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay for capital projects out of drainage impact fees or bond proceeds (\$18,739,002) and to pay debt service (\$1,243,376).

The general fund is the chief operating fund of the District. At September 30, 2009, unreserved fund balance of the general fund was \$11,420,491, while total fund balance reached \$18,229,349. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 23% of the total general fund expenditures (including transfers), while total fund balance represents 37% of that same amount. The fund balance of the District's general fund decreased by \$646,972, which was a budgeted decrease.

The debt service fund has a total fund balance of \$1,243,376, all of which is reserved for the payment of debt service.

*Proprietary fund.* The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Utility Fund at the end of the year amounted to \$36,460,759. Total net assets increased by \$6,601,445 from the previous year.

#### **General Fund Budgetary Highlights**

There were no budget amendments during the fiscal year.

#### **Capital Asset and Debt Administration**

*Capital Assets.* The District's investment in capital assets for its governmental and business type activities as of September 30, 2009 amounted to \$545,626,078 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, improvements, machinery and equipment, roads, highways, drainage systems and bridges.

Additional information on the District's capital assets can be found in Note 4 of the financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**District's Capital Assets**

(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 2,762,209	\$ 2,762,209	\$ 6,907,829	\$ 6,907,829	\$ 9,670,038	\$ 9,670,038
Buildings and system	15,156,458	15,881,168	28,681,951	29,622,399	43,838,409	45,503,567
Improvements other than buildings	-	-	91,240,486	95,085,381	91,240,486	95,085,381
Machinery and equipment	8,509,898	9,995,302	154,577,989	159,757,271	163,087,887	169,752,573
Infrastructure	219,072,997	219,072,997	-	-	219,072,997	219,072,997
Construction in progress	13,063,302	2,471,083	5,652,959	8,629,198	18,716,261	11,100,281
<b>Total</b>	<b>\$ 258,564,864</b>	<b>\$ 250,182,759</b>	<b>\$ 287,061,214</b>	<b>\$ 300,002,078</b>	<b>\$ 545,626,078</b>	<b>\$ 550,184,837</b>

*Long-term debt.* At September 30, 2009, the District had total long-term bonded debt outstanding of \$582,150,682. Of this amount, \$234,536,374 comprised debt backed by the full faith and credit of the District and \$347,614,308 is secured by the revenues generated by the District's Utilities. During the year, the District's total long-term debt decreased by \$35,314,741 (6%).

The District has received ratings of "A" from Standard and Poor's, "A" from Fitch and "A2" from Moody's for the Ad Valorem Tax general obligation bonds and ratings of "A-" from Standard and Poor's, "A" from Fitch and "A3" from Moody's for the Utility Revenue bonds. Additional information on the District's long-term debt can be found in Note 7 of the financial statements.

**District's Outstanding Long-term Debt**

General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 234,536,374	\$ 249,802,522	\$ -	\$ -	\$ 234,536,374	\$ 249,802,522
Revenue bonds	-	-	347,614,308	367,662,901	347,614,308	367,662,901
<b>Total</b>	<b>\$ 234,536,374</b>	<b>\$ 249,802,522</b>	<b>\$ 347,614,308</b>	<b>\$ 367,662,901</b>	<b>\$ 582,150,682</b>	<b>\$ 617,465,423</b>

*Infrastructure Assets.* As demonstrated in the Required Supplementary Information on pages 46 – 49 of this report there have been no significant changes in the assessed condition of the roads, bridges and water control structures that use the modified approach for infrastructure reporting. The current conditions of all of the assets except a few water control structures are within the established levels maintained by the District. The timing of the repairs of the water control structures has been difficult primarily due to weather conditions and water levels however the repairs are in process. The repairs are currently expected to be completed in fiscal year 2010.

## **REEDY CREEK IMPROVEMENT DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

#### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate of the Central Florida area is currently averaging 10.6%. This is slightly higher than the state's average unemployment rate of 10.5% and is more than the national average rate of 9.3%.
- Fiscal year 2010 assessed values decreased 3% and similar decreases are expected for fiscal year 2011.
- Inflationary trends in the region compare to national indices.

#### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provide in this report or requests for additional financial information should be addressed to the Reedy Creek Improvement District, Comptroller, 1900 Hotel Plaza Blvd., P.O. Box 10,170, Lake Buena Vista, Florida 32830.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF NET ASSETS**  
September 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 5,651,627	\$ 11,832,410	\$ 17,484,037
Investments	961,941	778,358	1,740,299
Accounts receivable	516,521	18,417,344	18,933,865
Due from other governments	31,875	-	31,875
Internal balances	8,192	(8,192)	-
Restricted Assets:			
Cash and cash equivalents	5,434,171	29,575,484	35,009,655
Investments	1,036,809	21,545,388	22,582,197
Inventories	-	6,823,170	6,823,170
Prepays	905,632	525,145	1,430,777
Fuel contracts	-	11,924,004	11,924,004
Deposits	30,000	-	30,000
Total current assets	<u>14,576,768</u>	<u>101,413,111</u>	<u>115,989,879</u>
Noncurrent assets:			
Investments	12,692,412	55,176	12,747,588
Restricted investments	13,822,755	30,120,923	43,943,678
Other assets	2,237,290	2,347,666	4,584,956
Nondepreciable capital assets	234,898,508	12,560,788	247,459,296
Depreciable capital assets, net	23,666,356	274,500,426	298,166,782
Total noncurrent assets	<u>287,317,321</u>	<u>319,584,979</u>	<u>606,902,300</u>
<b>Total Assets</b>	<u>301,894,089</u>	<u>420,998,090</u>	<u>722,892,179</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	2,409,566	15,524,255	17,933,821
Deferred revenue	-	15,950,108	15,950,108
Accrued liabilities	724,360	2,043,911	2,768,271
Due to other governments	-	1,473,382	1,473,382
Capital leases	427,598	-	427,598
Total current liabilities	<u>3,561,524</u>	<u>34,991,656</u>	<u>38,553,180</u>
Current liabilities payable from restricted assets:			
Bonds payable	15,495,000	21,105,000	36,600,000
Accrued interest payable	3,661,623	8,779,740	12,441,363
Contracts and retainage payable	771,361	108,810	880,171
Total current liabilities payable from restricted assets	<u>19,927,984</u>	<u>29,993,550</u>	<u>49,921,534</u>
Noncurrent liabilities:			
Compensated absences payable	1,120,451	-	1,120,451
Self insurance liability	2,753,363	-	2,753,363
Capital leases	1,415,127	-	1,415,127
Net OPEB obligation	5,707,901	-	5,707,901
Bonds payable	219,041,374	326,509,308	545,550,682
Total noncurrent liabilities	<u>230,038,216</u>	<u>326,509,308</u>	<u>556,547,524</u>
<b>Total Liabilities</b>	<u>253,527,724</u>	<u>391,494,514</u>	<u>645,022,238</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	181,231,342	(11,092,673)	170,138,669
Restricted for:			
Capital projects	6,808,858	-	6,808,858
Debt service	1,243,376	-	1,243,376
Renewal and replacement	-	3,635,490	3,635,490
Emergency repairs	-	500,000	500,000
Unrestricted	(140,917,211)	36,460,759	(104,456,452)
<b>Total Net Assets</b>	<u>\$ 48,366,365</u>	<u>\$ 29,503,576</u>	<u>\$ 77,869,941</u>

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**

**STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2009

		<b>Business-type Activities</b>	
	<b>Total</b>	<b>Utility</b>	<b>Total Governmental Activities</b>
Expenses:			
Labor	\$ 57,373,295	\$ 25,819,159	\$ 31,554,136
Operating expenses	141,322,539	126,118,840	15,203,699
Depreciation	27,631,476	24,210,259	3,421,217
Nonoperating expenses	789,241	789,241	-
Interest on debt	28,035,197	16,740,717	11,294,480
Total expenses	<u>255,151,748</u>	<u>193,678,216</u>	<u>61,473,532</u>
Program revenues:			
Charges for services	197,520,813	196,065,452	1,455,361
Intergovernmental	851,220	-	851,220
Capital contributions	491,544	328,018	163,526
Total program revenues	<u>198,863,577</u>	<u>196,393,470</u>	<u>2,470,107</u>
Net program expense	<u>56,288,171</u>	<u>(2,715,254)</u>	<u>59,003,425</u>
General revenues:			
Ad valorem taxes	71,054,117	-	71,054,117
Interest income	2,168,069	531,490	1,636,579
Gain on sale of capital assets	(45,608)	(50,261)	4,653
Transfers in (out)	-	3,404,962	(3,404,962)
Total general revenues and transfers	<u>73,176,578</u>	<u>3,886,191</u>	<u>69,290,387</u>
Change in net assets	16,888,407	6,601,445	10,286,962
Total net assets, beginning	<u>60,981,534</u>	<u>22,902,131</u>	<u>38,079,403</u>
Total net assets - ending	<u>\$ 77,869,941</u>	<u>\$ 29,503,576</u>	<u>\$ 48,366,365</u>

The accompanying notes are an integral part of these financial statements.

**Governmental Activities**

<b>General Government</b>	<b>Public Safety</b>	<b>Physical Environment</b>	<b>Transportation</b>	<b>Debt Service</b>
\$ 3,732,387	\$ 26,715,048	\$ 1,008,161	\$ 98,540	\$ -
3,289,759	2,049,132	1,526,887	8,337,921	-
865,298	2,371,375	78,622	105,922	-
-	-	-	-	-
-	-	-	-	11,294,480
7,887,444	31,135,555	2,613,670	8,542,383	11,294,480
446,342	1,009,019	-	-	-
31,875	-	-	-	819,345
-	-	163,526	-	-
478,217	1,009,019	163,526	-	819,345
\$ 7,409,227	\$ 30,126,536	\$ 2,450,144	\$ 8,542,383	\$ 10,475,135

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
September 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 5,651,627	\$ 311,834	\$ 5,122,337	\$ 11,085,798
Investments	961,941	64,994	971,815	1,998,750
Accounts receivable	86,517	8,980	421,024	516,521
Due from other governments	31,875	-	-	31,875
Due from other funds	8,192	-	-	8,192
Prepays	905,632	-	-	905,632
Deposits	-	-	30,000	30,000
Total current assets	<u>7,645,784</u>	<u>385,808</u>	<u>6,545,176</u>	<u>14,576,768</u>
Investments	<u>12,692,412</u>	<u>857,568</u>	<u>12,965,187</u>	<u>26,515,167</u>
Total assets	<u>\$ 20,338,196</u>	<u>\$ 1,243,376</u>	<u>\$ 19,510,363</u>	<u>\$ 41,091,935</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Current liabilities:				
Accounts payable	\$ 1,384,487	\$ -	\$ 771,361	\$ 2,155,848
Accrued liabilities	724,360	-	-	724,360
Total current liabilities	<u>2,108,847</u>	<u>-</u>	<u>771,361</u>	<u>2,880,208</u>
Fund balances:				
Reserved for capital projects	6,808,858	-	18,739,002	25,547,860
Reserved for debt service	-	1,243,376	-	1,243,376
Unreserved	11,420,491	-	-	11,420,491
Total fund balances	<u>18,229,349</u>	<u>1,243,376</u>	<u>18,739,002</u>	<u>38,211,727</u>
Total liabilities and fund balances	<u>\$ 20,338,196</u>	<u>\$ 1,243,376</u>	<u>\$ 19,510,363</u>	

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

Bond issuance costs are not financial resources and, therefore, are not reported in the funds.	2,237,290
Accrued interest payable on bonds not currently due is not reported in the funds.	(3,661,623)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	258,564,864
Some liabilities, including bonds payable and other liabilities are not due and payable in the current period and therefore are not reported in the funds.	(246,985,893)

Net assets of governmental activities	<u>\$ 48,366,365</u>
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The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Ad valorem taxes	\$ 45,968,881	\$ 25,085,236	\$ -	\$ 71,054,117
Intergovernmental	31,875	819,345	-	851,220
Emergency services	181,570	-	-	181,570
Building permits and fees	827,449	-	-	827,449
Drainage fees	163,526	-	-	163,526
Interest income	593,551	215,164	827,864	1,636,579
Post office	178,655	-	-	178,655
Other	304,815	-	-	304,815
Total revenues	<u>48,250,322</u>	<u>26,119,745</u>	<u>827,864</u>	<u>75,197,931</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,578,513	-	-	6,578,513
Public safety	26,118,310	-	-	26,118,310
Physical environment	2,424,140	-	-	2,424,140
Transportation	8,436,461	-	-	8,436,461
Capital outlay	1,181,816	-	10,656,040	11,837,856
Debt service:				
Principal	632,935	14,955,000	-	15,587,935
Interest and other charges	120,157	11,571,273	-	11,691,430
Total expenditures	<u>45,492,332</u>	<u>26,526,273</u>	<u>10,656,040</u>	<u>82,674,645</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,757,990</u>	<u>(406,528)</u>	<u>(9,828,176)</u>	<u>(7,476,714)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>(3,404,962)</u>	-	-	<u>(3,404,962)</u>
Total other financing sources (uses)	<u>(3,404,962)</u>	-	-	<u>(3,404,962)</u>
Net changes in fund balances	(646,972)	(406,528)	(9,828,176)	(10,881,676)
<b>Fund Balances, beginning of year</b>	<u>18,876,321</u>	<u>1,649,904</u>	<u>28,567,178</u>	<u>49,093,403</u>
<b>Fund Balances, end of year</b>	<u>\$ 18,229,349</u>	<u>\$ 1,243,376</u>	<u>\$ 18,739,002</u>	<u>\$ 38,211,727</u>

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

Net changes in fund balances	\$ (10,881,676)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,416,639
The net effect of various miscellaneous transactions involving capital assets resulted in a decrease in net assets.	(34,534)
Governmental funds report the payment of bond principal and interest when the current financial resources are available and payments are due and they report the payment of issuance costs, premiums, discounts, and similar items when debt is first issued. However, on the statement of activities interest is accrued and bond related costs are deferred and amortized.	15,984,885
Increases in other liabilities reported as expenses in the statement of activities not requiring the use of current financial resources in governmental funds.	(3,198,352)
Change in net assets of governmental activities	<u>\$ 10,286,962</u>

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**

**GENERAL FUND**

For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Ad valorem taxes	\$ 45,625,190	\$ 45,625,190	\$ 45,968,881	\$ 343,691
Intergovernmental revenue	2,500,000	2,500,000	31,875	(2,468,125)
Emergency services	-	-	181,570	181,570
Building permits and fees	1,000,000	1,000,000	827,449	(172,551)
Drainage fees	-	-	163,526	163,526
Interest income	750,000	750,000	593,551	(156,449)
Post office	178,000	178,000	178,655	655
Other	300,000	300,000	304,815	4,815
<b>Total Revenues</b>	<u>50,353,190</u>	<u>50,353,190</u>	<u>48,250,322</u>	<u>(2,102,868)</u>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Administrative:				
Labor	1,512,216	1,512,216	1,356,203	156,013
Operating	2,993,850	2,983,850	2,291,120	692,730
Capital outlay	30,000	40,000	72,566	(32,566)
	<u>4,536,066</u>	<u>4,536,066</u>	<u>3,719,889</u>	<u>816,177</u>
Personnel services:				
Labor	443,146	443,146	299,723	143,423
Operating	249,875	249,875	200,155	49,720
	<u>693,021</u>	<u>693,021</u>	<u>499,878</u>	<u>193,143</u>
Information services:				
Labor	946,778	946,778	901,019	45,759
Operating	846,626	846,626	546,981	299,645
Capital outlay	334,252	334,252	254,546	79,706
	<u>2,127,656</u>	<u>2,127,656</u>	<u>1,702,546</u>	<u>425,110</u>
Support services:				
Labor	541,298	541,298	466,155	75,143
Operating	171,800	173,800	136,071	37,729
Capital outlay	26,500	26,500	1,005	25,495
	<u>739,598</u>	<u>741,598</u>	<u>603,231</u>	<u>138,367</u>
Post office:				
Labor	274,008	274,008	265,654	8,354
Operating	114,550	114,550	115,432	(882)
	<u>388,558</u>	<u>388,558</u>	<u>381,086</u>	<u>7,472</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>8,484,899</u>	<u>8,486,899</u>	<u>6,906,630</u>	<u>1,580,269</u>
<b>PUBLIC SAFETY</b>				
Building and safety:				
Labor	2,394,658	2,394,658	2,110,072	284,586
Operating	191,500	191,500	75,250	116,250
Capital outlay	126,400	126,400	-	126,400
	<u>2,712,558</u>	<u>2,712,558</u>	<u>2,185,322</u>	<u>527,236</u>

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Emergency services:				
Labor	21,365,154	21,365,154	21,767,347	(402,193)
Operating	1,431,823	1,431,823	1,113,333	318,490
Capital outlay	1,432,784	1,432,784	817,083	615,701
	<u>24,229,761</u>	<u>24,229,761</u>	<u>23,697,763</u>	<u>531,998</u>
Support services:				
Labor	252,739	252,739	193,818	58,921
Operating	972,440	970,440	858,490	111,950
Capital outlay	15,500	15,500	13,728	1,772
	<u>1,240,679</u>	<u>1,238,679</u>	<u>1,066,036</u>	<u>172,643</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>28,182,998</u>	<u>28,180,998</u>	<u>26,949,121</u>	<u>1,231,877</u>
<b>PHYSICAL ENVIRONMENT</b>				
Water control:				
Operating	3,360,600	3,360,600	751,958	2,608,642
Capital outlay	10,000	10,000	-	10,000
	<u>3,370,600</u>	<u>3,370,600</u>	<u>751,958</u>	<u>2,618,642</u>
Groves:				
Operating	16,000	16,000	13,405	2,595
	<u>16,000</u>	<u>16,000</u>	<u>13,405</u>	<u>2,595</u>
Planning and engineering:				
Labor	941,636	941,636	897,253	44,383
Operating	950,120	950,120	593,581	356,539
Capital outlay	22,400	22,400	21,967	433
	<u>1,914,156</u>	<u>1,914,156</u>	<u>1,512,801</u>	<u>401,355</u>
Support services:				
Operating	252,938	252,938	167,943	84,995
	<u>252,938</u>	<u>252,938</u>	<u>167,943</u>	<u>84,995</u>
<b>TOTAL PHYSICAL ENVIRONMENT</b>	<u>5,553,694</u>	<u>5,553,694</u>	<u>2,446,107</u>	<u>3,107,587</u>
<b>TRANSPORTATION</b>				
Roadway maintenance:				
Labor	-	-	98,540	(98,540)
Operating	10,378,449	10,491,677	8,337,921	2,153,756
Capital outlay	407,500	294,272	921	293,351
<b>TOTAL TRANSPORTATION</b>	<u>10,785,949</u>	<u>10,785,949</u>	<u>8,437,382</u>	<u>2,348,567</u>
<b>DEBT SERVICE</b>				
Lease payments	788,000	788,000	632,935	155,065
Interest and other charges	-	-	120,157	(120,157)
<b>TOTAL DEBT SERVICE</b>	<u>788,000</u>	<u>788,000</u>	<u>753,092</u>	<u>34,908</u>
<b>Total expenditures</b>	<u>53,795,540</u>	<u>53,795,540</u>	<u>45,492,332</u>	<u>8,423,365</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,442,350)</u>	<u>(3,442,350)</u>	<u>2,757,990</u>	<u>6,320,497</u>

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**

**GENERAL FUND**

For the Year Ended September 30, 2009

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>OTHER FINANCING USES</b>				
Transfers out	(4,089,267)	(4,089,267)	(3,404,962)	684,305
<b>Total other financing uses</b>	(4,089,267)	(4,089,267)	(3,404,962)	684,305
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	\$ (7,531,617)	\$ (7,531,617)	(646,972)	\$ 7,004,802
<b>Fund Balance, beginning of year</b>			18,876,321	
<b>Fund Balance, end of year</b>			\$ 18,229,349	

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF NET ASSETS - UTILITY FUND**

September 30, 2009

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 11,832,410
Investments	778,358
Accounts receivable	18,417,344
Inventories	6,823,170
Fuel contracts	11,924,004
Prepays	525,145

Restricted Assets:

Cash and cash equivalents	29,575,484
Investments	21,545,388

Total current assets	101,421,303
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Noncurrent assets:

Investments	55,176
Restricted investments	30,120,923

Capital assets:

Land	6,907,829
Buildings	61,037,739
Improvements other than buildings	190,825,867
Machinery and equipment	360,251,388
Less accumulated depreciation	(337,614,568)
Construction in progress	5,652,959

Total capital assets	287,061,214
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Other assets	2,347,666
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Total noncurrent assets	319,584,979
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**Total Assets**

421,006,282

**LIABILITIES**

Current liabilities:

Accounts payable	15,524,255
Accrued liabilities	2,043,911
Deferred revenue	15,950,108
Due to other funds	8,192
Due to other governments	1,473,382
Total current liabilities	34,999,848

Current liabilities payable from restricted assets:

Bonds payable	21,105,000
Accrued interest payable	8,779,740
Contracts and retainage payable	108,810
Total current liabilities payable from restricted assets	29,993,550

Noncurrent liabilities:

Bonds payable	326,509,308
Total noncurrent liabilities	326,509,308

**Total Liabilities**

391,502,706

**NET ASSETS**

Invested in capital assets, net of related debt	(11,092,673)
Restricted for renewal and replacement	3,635,490
Restricted for emergency repairs	500,000
Unrestricted	36,460,759

**Total Net Assets**

\$ 29,503,576

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**UTILITY FUND**  
For the Year Ended September 30, 2009

<b>OPERATING REVENUES</b>	
Utility sales	\$ 196,065,452
Total operating revenues	<u>196,065,452</u>
<b>OPERATING EXPENSES</b>	
Purchased power and fuel	104,620,390
Labor support	25,819,159
Operating costs	11,802,469
Taxes	3,685,134
Repairs and maintenance	5,091,337
Insurance	881,010
Rental expense	38,500
Depreciation	24,210,259
Total operating expenses	<u>176,148,258</u>
Operating income	<u>19,917,194</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest and investment income	531,490
Interest expense	(16,740,717)
Amortization of bond issue costs	(525,123)
Loss on asset sales	(50,261)
Loss on abandonment of plant assets	(264,118)
Total nonoperating revenues (expenses)	<u>(17,048,729)</u>
Income before contributions and transfers	2,868,465
Capital contributions	328,018
Transfers in	<u>3,404,962</u>
Increase in net assets	6,601,445
Total net assets - beginning	<u>22,902,131</u>
Total net assets - ending	<u><u>\$ 29,503,576</u></u>

The accompanying notes are an integral part of these financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**UTILITY FUND**

For the Year Ended September 30, 2009

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 190,554,365
Payments to suppliers	(117,058,111)
Payments for labor contract and management service agreement	(23,821,558)
Payments to employees	(2,298,861)
Net cash provided by operating activities	47,375,835

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Operating transfers in	3,404,962
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of capital assets	(11,106,373)
Proceeds from sale of capital assets	379,820
Principal paid on bonds	(20,260,000)
Interest paid on bonds	(18,505,243)
Capital contributions	328,018
Net cash used by capital and related financing activities	(49,163,778)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(117,935,043)
Proceeds from sales and maturities of investments	109,062,444
Investment income	538,478
Net cash provided in investing activities	(8,334,121)
Net decrease in cash and cash equivalents	(6,717,102)
Balances - beginning of the year	48,124,996
Balances - end of the year	\$ 41,407,894

Unrestricted	\$ 11,832,410
Restricted	29,575,484
	\$ 41,407,894

**Reconciliation of operating income to net cash provided by operating activities**

Operating income	\$ 19,917,194
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	24,210,259
Change in assets and liabilities:	
Accounts receivable	2,799,691
Inventories	136,076
Prepaid items	(72,645)
Other assets	(22,500)
Accounts payable	(5,138,376)
Due to other funds	(168,656)
Due to other governments	(643,921)
Accrued liabilities	926,209
Fuel derivatives	(5,390,422)
Deferred revenue	11,567,626
Due to principal landowner	(744,700)
Net cash provided by operating activities	\$ 47,375,835

The accompanying notes are an integral part of these financial statements.

# REEDY CREEK IMPROVEMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Reedy Creek Improvement District (the "District") is a public corporation of the State of Florida created on May 12, 1967 by a special act of the legislature. The District includes approximately 25,000 acres of land in Orange and Osceola Counties. Walt Disney World Co. or other wholly owned subsidiaries of the Walt Disney Company own substantially all the land within the District. As outlined in Chapter 67-764 of the Laws of Florida, the District was organized to provide for the reclamation, drainage, and irrigation of land, to establish water, flood, and erosion control, to provide water and sewer systems and waste collection and disposal facilities, to provide for mosquito and other pest controls, to provide for public utilities, to create and maintain conservation areas, to provide streets, roads, bridges and street lighting facilities, and to adopt zoning and building codes and regulations. The governing body of the District is a five-member Board of Supervisors elected to office for four-year terms by landowners of the District.

The accompanying financial statements present the financial position and changes in financial position of the applicable fund types governed by the Board of Supervisors of the District in accordance with accounting principles generally accepted in the United States of America. Determination of the financial reporting entity of the District is founded upon the objective of accountability. Therefore, the financial statements include only the District (the primary government). There are no legally separate component units for which operational or financial responsibility rest with officials of the District or for which the nature and significance of their relationship to the District are such that exclusion would cause the financial statements to be misleading or incomplete.

#### B. 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 nonfiduciary activities of the primary government. As required by generally accepted governmental accounting principles, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses, of a given function or segment, are 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 or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the proprietary, or enterprise fund. All governmental funds and the enterprise fund are considered to be major funds and are reported as separate columns in the fund financial statements.

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. 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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are generally not measurable and available until the District receives cash.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* accounts for the financial resources to be used for the acquisition or construction of major general government capital projects.

The District reports the following major proprietary fund:

The *utility fund* accounts for the activities of the District's electric generation and distribution system, wastewater collection and treatment system, water supply and distribution system, natural gas distribution system, solid waste collection and disposal system, reuse water system, chilled water system and hot water system.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2009

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following either all or no subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating contributions, and 3) capital contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue connection fees which are to recover the expense of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

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.

##### D. Property Taxes

Property taxes are billed and collected within the same fiscal period, and are reflected on the modified accrual basis. Ad Valorem taxes on property values have a lien and assessment date of January 1, with millage established during the preceding September. The fiscal year for which taxes are levied begins October 1. Taxes, which are billed in November, carry a maximum discount available through November 30, and become delinquent April 1. State Statutes permit the District to levy property taxes at a rate up to 30 mills. The millage rates assessed by the District for the fiscal year ended September 30, 2009 were 6.3962 for General Operating and 3.4895 for Debt Service.

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Cash, Cash Equivalents and Investments**

Cash balances from the majority of funds are pooled for investment purposes. Earnings from such investments are allocated to the respective funds based on applicable balances maintained in the pool by each fund. The holdings in the pool, for purposes of these statements, are allocated to the participating funds based on their equity.

Cash and cash equivalents consist of demand accounts (interest and non-interest bearing), money market funds and investments with a maturity of three months or less when purchased. Cash and cash equivalents are carried at cost, which approximates fair value.

Investments are stated at fair value based upon quoted market prices.

**F. Inventories**

Enterprise Fund inventories consist of materials, supplies and fuel. Materials and supplies inventories are valued at the lower of cost or market using the first-in first-out method (FIFO) and fuel oil inventories are accounted for at the lower of cost or market using the moving average cost method.

**G. Restricted Assets**

Certain assets in the Debt Service Fund, Capital Projects Fund and Enterprise Fund are restricted as to use by specific provisions of bond resolutions. These assets are classified as restricted assets on the statement of net assets.

**H. Capital Assets**

Infrastructure improvements such as roads, bridges, canals, curbs, gutters, sidewalks, drainage systems and lighting systems, are recorded as capital expenditures in the various governmental funds at the time of purchase. These assets are presented as capital assets in the government-wide statement of net assets for governmental activities. Infrastructure assets are not depreciated and are accounted for using the modified approach, as further explained in the Required Supplementary Information. Condition assessments are periodically performed and preservation and maintenance costs are reflected as expenses in the government-wide statement of activities under transportation expenses.

Land, buildings, plants, machinery and equipment are carried on the statement of net assets for governmental activities and business-type activities at cost, except for contributed assets, which are recorded at estimated fair value at the date of contribution. The District's capitalization threshold is \$1,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and land improvements	30-50 years
Improvements, including utility distribution and collection systems	30-50 years
Machinery and equipment	3-30 years

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. Capital Assets - Continued**

Repairs and maintenance are expensed when incurred. Additions, major renewals and replacements, which increase the useful lives of the assets, are capitalized. Net interest costs incurred during the construction or installation of property, plant and equipment are capitalized.

**I. Unamortized Bond Discount and Issuance Costs**

Bond discount and issuance costs are amortized over the life of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of the bonds payable and issuance costs are presented as an other asset.

**J. Deferred Amount on Refunding**

For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred amount is offset against the new liability.

**K. Compensated Absences**

In the Government-wide financial statements, compensated absences are recorded as a liability when the benefits are earned. The current portion is the amount accrued during the year that would normally be liquidated with available, expendable resources in the next fiscal year and is reported in accounts payable. In the fund statements, expenditures are recognized when payments are due to the employee.

**L. Fund Balance Reserves**

Governmental Fund Types - Reserves of governmental fund types represent portions of fund balances not appropriated for expenditures but which have been segregated for specific future use. The reserve for capital projects in the General Fund and the Capital Projects Fund are assets specifically set aside for drainage and road expansion. The reserve for debt service segregates those assets required to be segregated for servicing of general obligation bond indebtedness and for use under the District's trust indenture.

**M. Budgets and Budgetary Accounting**

The following procedures are used to establish the budgetary data reflected in the financial statements:

- (1) The District Administrator submits to the Board of Supervisors a proposed operating budget for the fiscal year commencing on October 1.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to October 1, the budget is legally enacted through passage of an ordinance.

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**M. Budgets and Budgetary Accounting – Continued**

- (4) Budgets are legally adopted for the General Fund, Debt Service Fund and the Enterprise Fund.
- (5) Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- (6) The District's charter does not require formal authorization for actual expenditures to exceed budgeted expenditures; however, the Board of Supervisors monitors the budget periodically during the year. The budgetary control is legally maintained at the fund level.
- (7) All appropriations, except those specifically approved by the Board of Supervisors, lapse at the close of the fiscal year to the extent not expended.

**N. Forward Contracts**

The District enters into forward contracts as part of its normal purchases of power and fuel and accounts for such contracts as settled, as a component of the cost of its operations.

**O. Derivative Instruments**

Fuel related derivative transactions are executed in accordance with the District's established Energy Risk Management Policy ("Policy") which is controlling the level of price risk exposure involved in the normal course of the District's natural gas purchasing activities. The Policy establishes the Energy Risk Management Oversight Committee which enters into financial hedging agreements and contracts with third parties pursuant to enabling agreements approved by the Board of Supervisors. The Policy establishes the organizational structure of the committee and various volume and pricing limits. The recording of these fuel contracts is included in the Statement of Net Assets as either an asset or liability measured at fair value. Related gains and/or losses are deferred and recognized in the specific period in which the derivative is settled and included as a part of fuel costs.

**P. New Accounting Pronouncements**

Effective October 1, 2008, the District adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The Statement requires the recognition of a pollution liability when any one of five specified obligating events occurs. The obligating events are (1) a government is compelled to take pollution remediation action because of an imminent endangerment; (2) a government violates a pollution prevention related permit or license; (3) a government is named, or evidence indicates that it will be named, by a regulator as a responsible party for remediation, or as a party responsible for sharing costs; (4) a government is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation; and (5) a government commences or legally obligates itself to commence pollution remediation. The implementation of this standard did not have any impact on the beginning net assets or operating activities of the District.

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**P. New Accounting Pronouncements – Continued**

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This Statement is effective for the District for fiscal year 2010. The effect this statement will have on the District's basic financial statements has not yet been determined.

**Q. Rates and Regulations**

The District follows the accounting practices set forth in Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulation*, as amended. This standard allows utilities to capitalize or defer certain costs or revenues based on management's ongoing assessment that it is probable these items will be recovered through the rate-making process. Regulatory liabilities consist of deferred fuel.

If the District no longer applied SFAS No. 71 due to competition, regulatory changes, or other reasons, the District would make certain adjustments that would include the write-off of all or a portion of its regulatory assets and liabilities, the evaluation of utility plant, contracts and commitments, and the recognition, if necessary, of any losses to reflect market condition. Management believes that the District currently meets the criteria for continued application of SFAS No. 71, but will continue to evaluate significant changes in the regulatory and competitive environment to assess the ability to continue to apply SFAS No. 71.

**R. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates and differences could be material.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the balance sheet – governmental funds and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. Further details of certain elements of that reconciliation are as follows:

1. *Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.* This amount represents the total capital assets of governmental activities of \$282,389,946 net of accumulated depreciation of \$23,825,082, or \$258,564,864.

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2009

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – Continued**

**A. Explanation of certain differences between the balance sheet – governmental funds and the government-wide statement of net assets**

2. *Some liabilities, including bonds payable and other long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds. The details of this difference are as follows:*

Compensated absences payable	\$ 2,145,530
Self insurance liability	2,753,363
Capital leases	1,842,725
Net OPEB obligation	5,707,901
Bonds payable	234,536,374
Net adjustment to reduce total fund balances - total governmental funds to arrive at net assets of governmental activities	\$ 246,985,893

**B. Explanation of certain differences between the statement of revenues, expenditures and changes in fund balances – governmental funds and the government-wide statement of net activities**

The statement of revenues, expenditures and changes in fund balances – governmental funds includes a reconciliation of the “net changes in fund balances – total governmental funds” and “change in net assets of governmental activities” as reported in the government-wide statement of activities. Further details of certain elements of that reconciliation are as follows:

1. *Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This the amount by which capital outlays exceeded depreciation in the current period:*

Capital outlay expenditures:	
General fund	
General government	\$ 328,117
Public safety	830,811
Physical environment	21,967
Transportation	921
Capital projects	10,656,040
Depreciation expense	(3,421,217)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 8,416,639

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2009

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – Continued**

**B. Explanation of certain differences between the statement of revenues, expenditures and changes in fund balances – governmental funds and the government-wide statement of net activities - continued**

2. *Governmental funds report the payment of the bond and capital lease principal and interest when the current financial resources are available and payments are due and they report the payment of issuance costs, premiums, discounts, and similar items when debt is first issued. However, on the statement of activities interest is accrued and bond related costs are deferred and amortized. The details of the difference are as follows:*

Net changes of deferred loss, bond costs, discount, and premium	\$ 205,265
Principal payments on bonds outstanding	15,587,935
Accrued interest payable	<u>191,685</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 15,984,885</u></u>

3. *Increases in other liabilities reported as expenses in the statement of activities not requiring the use of current financial resources in governmental funds. The details of the difference are as follows:*

Compensated absences	\$ (142,796)
Workers compensation	498,587
Net OPEB obligation	<u>(3,554,143)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (3,198,352)</u></u>

**3. DEPOSITS AND INVESTMENTS**

The District is authorized to invest in securities as described in its investment policy and in its bond resolutions. As of September 30, 2009, the District held the following deposits and investments as categorized below:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1 - 5	6 - 10	More than 10
Demand and time deposits	\$ 706,385	\$ 599,303	\$ 107,082	\$ -	\$ -
US Treasury	60,758,411	30,763,496	29,591,173	-	403,742
US Government Agency Securities	26,288,157	-	26,288,157	-	-
State Board of Administration	1,294,778	993,666	-	-	301,112
Cash Management Funds	<u>44,459,723</u>	<u>44,459,723</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>\$ 133,507,454</u></u>	<u><u>\$ 76,816,188</u></u>	<u><u>\$ 55,986,412</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 704,854</u></u>

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2009

#### 3. DEPOSITS AND INVESTMENTS - Continued

*Interest Rate Risk* - As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy for operating funds is structured to provide sufficient liquidity to pay obligations as they come due and (1) limits investments to not more than 7 year maturities; (2) requires that the portfolio have no more than 15% in securities maturing in or having an average life of more than 5 years; (3) requires that the portfolio have no more than 40% in securities maturing in or having an average life of more than 3 years; and (4) requires that no more than 25% of the investment portfolio shall be of a non-liquid nature. Bond proceeds and reserve funds are managed in accordance with bond covenants and funding needs which could result in maturities longer than seven years.

*Credit Risk* - The District's investment policy limits credit risk by restricting authorized investments to the following: direct obligations of, or obligations guaranteed by, the U.S. Government; bonds and notes issued by various federal agencies; state and local government securities; Canadian public obligations; public improvement bonds; public utility obligations; public housing obligations; State Board of Education obligations; international development banks; certain government security mutual funds; repurchase agreements and reverse repurchase agreements. Securities that derive their value from underlying securities ("derivatives") are specifically prohibited except when separately approved by the District's Board of Supervisors. The District's investments held in the portfolio are rated in the highest category by two rating services.

In November 2007, the State Board of Administration's Florida Local Government Investment Pool (SBA LGIP), which is normally classified as a cash and cash equivalent, experienced liquidity difficulties with certain of its investments that were either in default, having payment extensions or experiencing significant credit risk. At that time the SBA separated those investments into a fluctuating net asset value pool (Fund B) where availability to the funds would be limited and \$2.1 million of the Districts funds at the SBA were transferred to Fund B. To date \$1.6 million has been transferred back to the District's LGIP accounts. The estimated fair market value at year end of the remaining \$0.5 million was \$0.3 million. The \$0.2 million unrealized loss has been recognized by the District in investment earnings.

*Custodial Credit Risk* - All demand deposits are entirely insured by federal depository insurance or by the multiple financial institution collateral pool pursuant to the Public Depository Security Act of the State of Florida.

The District's investment policy requires that all investments be held by a third party custodian and held in the District's name. As of September 30, 2009, all of the Districts investments are held in a bank's trust department in the District's name.

*Concentration of Credit Risk* - At September 30, 2009, there was one issuer with which the District held investments exceeding 5% of the total investment portfolio which was the Federal Home Loan Bank (12%).

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2009

**3. DEPOSITS AND INVESTMENTS – Continued**

Statement of Net Assets Classifications - In addition to demand accounts, the District classifies repurchase agreements, State Board of Administration obligations (except Fund B), cash management funds, mutual funds and investments in U.S. Government Treasury and Agency securities with maturities of three months or less from the date of purchase as cash and cash equivalents on the statement of net assets. As of September 30, 2009 the following is a summary of these amounts reflected on the statement of net assets:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals</u>
Statement of Net Assets Classifications:			
Cash and cash equivalents	\$ 17,484,037	\$ 35,009,655	\$ 52,493,692
Investments	<u>14,487,887</u>	<u>66,525,875</u>	<u>81,013,762</u>
	<u>\$ 31,971,924</u>	<u>\$ 101,535,530</u>	<u>\$ 133,507,454</u>

**4. CAPITAL ASSETS**

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

	<u>Beginning Balance October 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance September 30, 2009</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,762,209	\$ -	\$ -	\$ 2,762,209
Construction in progress	2,471,083	10,687,233	(95,014)	13,063,302
Infrastructure	<u>219,072,997</u>	<u>-</u>	<u>-</u>	<u>219,072,997</u>
Total capital assets, not being depreciated	<u>224,306,289</u>	<u>10,687,233</u>	<u>(95,014)</u>	<u>234,898,508</u>
Capital assets, being depreciated				
Buildings	22,492,460	-	-	22,492,460
Machinery and equipment	<u>25,152,499</u>	<u>1,245,637</u>	<u>(1,399,158)</u>	<u>24,998,978</u>
Total capital assets, being depreciated	<u>47,644,959</u>	<u>1,245,637</u>	<u>(1,399,158)</u>	<u>47,491,438</u>
Less accumulated depreciation for:				
Buildings	6,611,292	724,710	-	7,336,002
Machinery and equipment	<u>15,157,197</u>	<u>2,696,507</u>	<u>(1,364,624)</u>	<u>16,489,080</u>
Total accumulated depreciation	<u>21,768,489</u>	<u>3,421,217</u>	<u>(1,364,624)</u>	<u>23,825,082</u>
Total capital assets, being depreciated, net	<u>25,876,470</u>	<u>(2,175,580)</u>	<u>(34,534)</u>	<u>23,666,356</u>
Governmental activities capital assets, net	<u>\$ 250,182,759</u>	<u>\$ 8,511,653</u>	<u>\$ (129,548)</u>	<u>\$ 258,564,864</u>

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2009

**4. CAPITAL ASSETS – Continued**

	Beginning Balance October 1, 2008	Increases	Decreases	Ending Balance September 30, 2009
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,907,829	\$ -	\$ -	\$ 6,907,829
Construction in progress	8,629,198	9,513,737	(12,489,976)	5,652,959
Total capital assets, not being depreciated	<u>15,537,027</u>	<u>9,513,737</u>	<u>(12,489,976)</u>	<u>12,560,788</u>
Capital assets, being depreciated				
Buildings	60,009,940	1,027,799	-	61,037,739
Improvements other than buildings	188,407,667	2,418,200	-	190,825,867
Machinery and equipment	350,883,238	11,231,279	(1,863,129)	360,251,388
Total capital assets, being depreciated	<u>599,300,845</u>	<u>14,677,278</u>	<u>(1,863,129)</u>	<u>612,114,994</u>
Less accumulated depreciation for:				
Buildings	30,387,541	1,968,247	-	32,355,788
Improvements other than buildings	93,322,286	6,263,095	-	99,585,381
Machinery and equipment	191,125,967	15,980,480	(1,433,048)	205,673,399
Total accumulated depreciation	<u>314,835,794</u>	<u>24,211,822</u>	<u>(1,433,048)</u>	<u>337,614,568</u>
Total capital assets, being depreciated, net	<u>284,465,051</u>	<u>(9,534,544)</u>	<u>(430,081)</u>	<u>274,500,426</u>
Business-type activities capital assets, net	<u>\$ 300,002,078</u>	<u>\$ (20,807)</u>	<u>\$ (12,920,057)</u>	<u>\$ 287,061,214</u>

During the year, the Enterprise Fund incurred interest costs totaling \$16,740,717. Interest incurred during the construction period relating to the construction of property, plant and equipment, net of interest earned on the investment of funds borrowed for construction, totaling \$843,193, was capitalized during the year.

**5. LEASE OF ASSETS**

Capital leases – Governmental activities

During fiscal year 2008, the District entered into leasing agreements for 911 emergency communications equipment and data storage equipment. The terms of these leases are such that the District capitalized them under the provisions of FASB Statement 13.

The following is a schedule of future minimum lease payments for \$2,725,660 of equipment assets capitalized under lease agreements, and the present value of future minimum lease payments as of September 30, 2009:

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2009

**5. LEASE OF ASSETS – Continued**

Fiscal Year Ending September 30

2010	\$ 519,550
2011	519,550
2012	519,550
2013	<u>519,550</u>
Total Minimum Lease Payments	2,078,200
Less Amount Representing Interest	<u>235,475</u>
Present Value of Minimum Lease Payments	<u><u>\$ 1,842,725</u></u>

Operating lease – Business-type activities

On January 1, 1999, the District entered into a ten year lease with Walt Disney World Company (WDWC), whereby the District leased assets used for the production and distribution of chilled water. The lease expired on December 31, 2008.

**6. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND TRANSFERS**

Interfund receivable and payable balances as of September 30, 2009 are as follows:

	Interfund Receivables (Due from)	Interfund Payables (Due to)
General	\$ 8,192	\$ -
Utility Fund	-	8,192
	<u>\$ 8,192</u>	<u>\$ 8,192</u>

Interfund transfers as of September 30, 2009 consisted of a transfer to the Utility Fund from the General Fund to subsidize the operations of the Environmental Lab. The transfers are as follows:

	Transfers In	Transfers Out
General	\$ -	\$ 3,404,962
Enterprise	3,404,962	-
	<u>\$ 3,404,962</u>	<u>\$ 3,404,962</u>

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2009

**7. LONG – TERM DEBT**

**A. Changes in long-term liabilities**

Long-term liability activity for the year ended September 30, 2009, was as follows:

	<u>Beginning Balance October 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance September 30, 2009</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General Obligation Bonds:					
1998B Ad Valorem Refunding	\$ 18,365,000	\$ -	\$ (1,835,000)	\$ 16,530,000	\$ 2,050,000
2001A Ad Valorem Refunding	59,455,000	-	(2,550,000)	56,905,000	4,530,000
2004A Ad Valorem	51,765,000	-	(2,380,000)	49,385,000	2,450,000
2004B Ad Valorem	8,680,000	-	(410,000)	8,270,000	425,000
2005A Ad Valorem	18,925,000	-	-	18,925,000	-
2005B Ad Valorem Refunding	86,255,000	-	(7,780,000)	78,475,000	6,040,000
Defered amounts:					
Discount/Premium	8,806,226	-	(764,042)	8,042,184	-
On refunding	<u>(2,448,704)</u>	-	<u>452,894</u>	<u>(1,995,810)</u>	-
Total long-term bonds payable	249,802,522	-	(15,266,148)	234,536,374	15,495,000
Compensated absences	2,073,858	143,466		2,217,324	1,096,873
Arbitrage rebate	-	-	-	-	-
Capital leases	2,475,660		(632,935)	1,842,725	427,598
Self insurance liability	3,251,950	-	(498,587)	2,753,363	-
Net OPEB obligation	2,153,758	3,554,143	-	5,707,901	-
Long-term liabilities	<u>\$ 259,757,748</u>	<u>\$ 3,697,609</u>	<u>\$ (16,397,670)</u>	<u>\$ 247,057,687</u>	<u>\$ 17,019,471</u>
	<u>Beginning Balance October 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance September 30, 2009</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Revenue Bonds:					
1997-1 Utility	\$ 12,405,000	\$ -	\$ (10,570,000)	\$ 1,835,000	\$ 635,000
1999-1 Utility	2,105,000	-	(1,025,000)	1,080,000	1,080,000
1999-2 Utility Refunding	7,800,000	-	(3,810,000)	3,990,000	3,990,000
2003-1 Utility	50,950,000	-	(2,910,000)	48,040,000	2,970,000
2003-2 Utility Refunding	190,820,000	-	(1,945,000)	188,875,000	2,035,000
2005-1 Utility	26,930,000	-	-	26,930,000	-
2005-2 Utility Refunding	73,045,000	-	-	73,045,000	10,395,000
Defered amounts:					
Discount/Premium	23,003,144	-	(2,527,134)	20,476,010	
On refunding	<u>(19,395,243)</u>	-	<u>2,738,541</u>	<u>(16,656,702)</u>	
Total long-term bonds payable	367,662,901	-	(20,048,593)	347,614,308	21,105,000
Due to principal landowner	744,700	-	(744,700)	-	-
Long-term liabilities	<u>\$ 368,407,601</u>	<u>\$ -</u>	<u>\$ (20,793,293)</u>	<u>\$ 347,614,308</u>	<u>\$ 21,105,000</u>

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2009

**7. LONG-TERM DEBT - Continued**

**A. Changes in long-term liabilities – Continued**

General Obligation Bonds Payable

1998B Ad Valorem Tax Refunding Bonds – In October 1998, the District issued \$33,650,000 Ad Valorem Tax Refunding Bonds at interest rates of 3.4% to 5.25%, priced to yield 3.4% to 4.85%. The proceeds were used for the advance refunding of a portion of the Series 1991A Ad Valorem Tax Bonds.

2001A Ad Valorem Tax Refunding Bonds – In June 2001, the District issued \$101,025,000 in Ad Valorem Tax Refunding Bonds at interest rates of 3.5% to 5.5%, priced to yield 2.7% to 5.1%. The proceeds were used for the advance refunding of the 1991A and 1995A Ad Valorem Tax Bonds.

2004A Ad Valorem Tax Bonds – In January 2004, the District issued \$63,520,000 Ad Valorem Tax Bonds at interest rates of 2.0% to 5.0%, priced to yield 1.1% to 4.57%. The proceeds were used to refund, together with proceeds from the Osceola County Transportation Improvement Refunding Bonds Series 2004 issued by Osceola County, the Osceola County Transportation Improvement Bonds Series 1992.

2004B Ad Valorem Tax Bonds – In January 2004, the District issued \$10,230,000 Ad Valorem Tax Bonds at interest rates of 2.0% to 4.5%, priced to yield 1.4% to 3.68%. The proceeds were used to finance certain road improvement projects within and outside of the District.

2005A Ad Valorem Tax Bonds – In June 2005, the District issued \$18,925,000 Ad Valorem Tax Bonds at interest rates of 4.25% to 5.0%, priced to yield 4.14% to 4.3%. The proceeds were used to finance road improvements and the construction of two fire stations.

2005B Ad Valorem Tax Refunding Bonds – In June 2005, the District issued \$90,310,000 Ad Valorem Tax Refunding Bonds at interest rates of 3.25% to 5.0%, priced to yield 2.97% to 4.04%. The proceeds were used for the advance refunding of a portion of the 1995C and 1998A Ad Valorem Tax Bonds.

The major provisions of the District's Ad Valorem Tax Bond Resolutions authorizing its debt are as follows:

- (1) The Ad Valorem tax bond issues and related interest are collateralized by an irrevocable lien on the proceeds from Ad Valorem taxes levied by the District.
- (2) Additional bonds may be issued by the District provided (a) the maximum bond debt service requirement of the proposed and then outstanding bonds does not exceed 85% of the maximum annual collection from Ad Valorem Taxes calculated for the current year and (b) the principal amount of all bonds proposed and then outstanding not exceed 50% of the assessed value of the taxable property within the District.

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2009

**7. LONG-TERM DEBT - Continued**

**A. Changes in long-term liabilities – Continued**

Revenue Bonds Payable

1997-1 Utilities Revenue Bonds - In August 1997, the District issued \$109,950,000 of Utility Revenue Bonds to partially refund the District's Utility Revenue Bonds Series 1987-1 and 1991-1; and to finance construction and acquisition of improvements to the utility system. Interest is payable semi-annually at interest rates of 3.85% to 5.5%, priced to yield 3.85% to 5.45%. A portion of these bonds was advance refunded by the 2005-2 Utilities Revenue Refunding Bonds.

1999-1 Utilities Revenue Bonds - In September 1999, the District issued \$27,060,000 Utilities Revenue Bonds to finance the construction and acquisition of improvements to its utility systems. Interest is payable semi-annually at rates of 4.0% to 5.56%, priced to yield 3.6% to 5.56%. A portion of these bonds was advance refunded by the 2005-2 Utilities Revenue Refunding Bonds.

1999-2 Utilities Revenue Refunding Bonds – In September 1999, the District issued \$61,460,000 Utilities Revenue Refunding Bonds at interest rates of 4.0% to 5.5%, priced to yield 3.6% to 5.46%. The proceeds were used for the advance refunding of the Series 1990-1 Utilities Revenue Bonds that were outstanding after October 1, 1999. A portion of these bonds was advance refunded by the 2005-2 Utilities Revenue Refunding Bonds.

2003-1 Utilities Revenue Bonds – In July 2003, the District issued \$69,605,000 Utilities Revenue bonds at interest rates of 1.4% to 6%, priced to yield .92% to 4.03%. The proceeds will be used to finance the construction and acquisition of improvements to the utility systems. A portion of these bonds was advance refunded by the 2005-2 Utilities Revenue Refunding Bonds.

2003-2 Utilities Revenue Refunding Bonds – In January 2004, the District issued \$200,720,000 Utilities Revenue Refunding Bonds at interest rates of 5.0% to 5.25%, priced to yield 1.45% to 4.15%. The proceeds were used for the advance refunding of the 1994-1 Utilities Revenue Bonds that were outstanding after October 1, 2003.

2005-1 Utilities Revenue Bonds – In June 2005, the District issued \$26,930,000 Utilities Revenue Bonds at a 5% interest rate, priced to yield 4.17% to 4.33%. The proceeds will be used to finance the construction and acquisition of improvements to the utility systems.

2005-2 Utilities Revenue Refunding Bonds – In June 2005, the District issued \$73,045,000 Utilities Revenue Refunding Bonds at interest rates of 3.5% to 5.25%, priced to yield 3.1% to 4.33%. The proceeds were used for the partial advance refunding of the 1997-1, 1999-1, 1999-2 and 2003-1 Utilities Revenue Bonds.

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2009

**7. LONG-TERM DEBT – Continued**

**A. Changes in long-term liabilities – Continued**

The major provisions of the Utility Fund's trust indentures securing its debt are as follows:

- (1) The debt obligation and related interest are collateralized by a pledge of the net revenues of the combined utility systems.
- (2) The District will establish rates that will provide sufficient net revenues (revenues less operating expenses (excluding depreciation and lease payments to WDWC)), to pay 110% of the annual debt service requirements due each year. Revenues are defined to mean all rates, fees, charges or other income (including certain investment earnings, impact fees and special assessments) generated by the Enterprise Fund.
- (3) The District will pay all current operating expenses.
- (4) The District will deposit into the Sinking Fund on a monthly basis an amount equal to one-sixth of the next semi-annual interest payment and one-twelfth of the next annual principal payment.
- (5) The District will maintain a renewal and replacement fund equal to 5% of the gross revenues (less expenses for purchased power and fuel) received in the prior year. Such amount may be and was reduced to 4% by certification from the District's consulting engineer.
- (6) The District will maintain on deposit in the emergency repair fund at least \$500,000.
- (7) The debt service reserve requirements are being provided by Debt Service Reserve accounts with the bond trustee.
- (8) Additional bonds may be issued if the net revenues (revenues of the system less operating expenses (excluding depreciation and lease payments to WDWC)) for twelve consecutive prior months are at least equal to 125% of the maximum annual debt service of the proposed and then outstanding bonds.

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2009

**7. LONG-TERM DEBT – Continued**

**B. Annual Debt Service Requirements**

The annual requirements to amortize the principal balance and interest of all bonds outstanding are as follows:

Year Ended September 30,	General Obligation Bonds	
	Principal	Interest
2010	\$ 15,495,000	\$ 10,984,869
2011	16,115,000	10,368,056
2012	16,845,000	9,635,819
2013	17,625,000	8,837,676
2014	18,445,000	8,038,608
2015-2019	101,370,000	25,570,316
2020-2024	34,620,000	7,218,655
2025	7,975,000	390,650
Total	228,490,000	\$ 81,044,649
Current portion	(15,495,000)	
Deferred amounts:		
Discount/Premium	8,042,184	
On refunding	(1,995,810)	
Long-term bonds payable	\$ 219,041,374	

Year Ended September 30,	Revenue Bonds	
	Principal	Interest
2010	21,105,000	17,077,370
2011	22,070,000	16,032,073
2012	23,195,000	14,877,479
2013	24,380,000	13,656,911
2014	25,855,000	12,357,300
2014-2018	150,270,000	37,992,325
2019-2023	61,535,000	10,483,875
2024-2026	15,385,000	1,163,250
Total	343,795,000	\$ 123,640,583
Current portion	(21,105,000)	
Deferred amounts:		
Discount/Premium	20,476,010	
On refunding	(16,656,702)	
Long-term bonds payable	\$ 326,509,308	

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2009

**7. LONG-TERM DEBT – Continued**

**C. Refunded Debt**

The District has refunded certain bond issues. Sufficient funds to pay the principal and interest, when due, on the bonds earliest call date are held on deposit with an escrow agent. The balances outstanding of the refunded debt at September 30, 2009 are as follows:

<u>Issue</u>	<u>Date Refunded</u>	<u>Outstanding as of September 30, 2009</u>
1999-1 Utility Revenue Bonds	June 6, 2005	\$ 17,940,000
1999-2 Utility Revenue Bonds	June 6, 2005	28,525,000
2003-1 Utility Revenue Bonds	June 6, 2005	7,855,000

**8. TRANSACTIONS WITH PRINCIPAL LANDOWNERS**

During fiscal 2009, Walt Disney World Co. and other wholly owned subsidiaries of The Walt Disney Company provided certain services to the District as follows:

Governmental Funds

- (1) Financial and other administrative services amounted to \$92,004.
- (2) The management and construction of various capital improvements amounted to \$1,692,945.
- (3) The operation and maintenance of various District water control facilities amounted to \$474,365.
- (4) The maintenance of certain right of ways and District property within the District amounted to \$1,311,417.

At September 30, 2009, accounts payable of the General Fund included \$363,542 to Walt Disney World Co. and other wholly owned subsidiaries of the Walt Disney Company.

Enterprise Fund

- (1) Financial and other administrative services amounted to \$512,985.
- (2) The management and construction of various capital improvements amounted to \$111,539.
- (3) Landfill usage fees amounted to \$223,200.
- (4) The operation and maintenance of the utility systems for which the District has a labor agreement. The District incurred \$23,208,442 of labor support fees under this agreement.

At September 30, 2009 the Enterprise Fund had accounts receivable of \$11,862,497 and accounts payable of \$5,195,417 with Walt Disney World Co. and other wholly owned subsidiaries of The Walt Disney Company.

In connection with the termination of an asset lease in 2003, the District agreed to pay Walt Disney World Co. \$4,595,021 over six years. The final payment of \$744,700 was paid during the fiscal year.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2009

#### **8. TRANSACTIONS WITH PRINCIPAL LANDOWNERS - Continued**

The District provides utility services to Walt Disney World Co. and other associated companies within its service area. Revenues from services provided to these companies were 85% of total utility revenues for the year ended September 30, 2009.

#### **9. RETIREMENT SYSTEM**

Plan description - All full-time employees of the District participate in the Florida Retirement System (FRS), administered by the State of Florida (State). Employees elect participation in either the defined benefit plan ("Pension Plan"), a multiple-employer cost-sharing defined benefit retirement plan, or the defined contribution plan ("Investment Plan") under the FRS. The FRS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida Legislature.

Pension Plan members are eligible for retirement after vesting, which occurs at 6 years of credited service. For Regular class and Senior Management Service class employees, normal retirement age is attained at the earlier of 30 years of credited service regardless of age, or attainment of age 62 with at least six years of credited service. Regular class employees are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation for each year of credited service. Senior Management employees are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation for each year of credited service. For Special Risk employees, normal retirement age is attained at the earlier of 25 years of credited service or attainment of age 55 with at least six years of credited service. Special Risk employees are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation for each year of credited service. Early retirement may be taken anytime; however, there is a five percent benefit reduction for each year prior to normal retirement age. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Pension Plan Members eligible for retirement are given the option to enter the DROP (Deferred Retirement Option Program), which effectively allows them to work for a FRS employer for up to 60 months beyond their eligible retirement date and receive, at termination, a lump sum payment of their benefits accumulated over that time period. Benefits are computed on the basis of age, average final compensation and service credit.

Investment Plan members are vested after one year of credited service. These participants receive a contribution for self-direction in an investment product with a third party administrator selected by the State.

The State of Florida issues a publicly available report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to State of Florida Division of Retirement, Department of Management Services, Tallahassee, Florida, 32299-1560.

Funding Policy - The FRS has six classes of membership (of which District employees qualify under four classes) with descriptions and contribution rates in effect at September 30, 2009 as follows:

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2009

**9. RETIREMENT SYSTEM – Continued**

Regular Class - Members not qualifying for other classes (9.85% rate).

Special Risk Class - Members employed as law enforcement officers, firefighters, or correctional officers and meet the criteria set to qualify for this class (20.92% rate).

Senior Management Class - Qualifying member of senior management (13.12% rate).

Deferred Retirement Option Program (DROP) – Participating members of the program, not to exceed 60 months (10.91% rate).

The contribution requirements of the District are established and may be amended by FRS. The plan is non-contributory for employees with all contributions being the obligation of the District. The District contributed 15.71% of covered payroll during the year. The District's contributions to FRS for the year ended September 30, 2007, 2008 and 2009, respectively, were \$2,944,698, \$3,073,237 and \$3,139,923. Contributions made and accrued were equal to the required contributions for each year.

**10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan description - The District provides post retirement healthcare benefits. State Statute requires the District to continue offering healthcare coverage to retirees at the District's cost; however the District has elected by policy, which can be changed, to provide this coverage at no cost to retirees that have met certain requirements during employment with the District. To qualify for this benefit non-union employees must have 20 years of service with the District and be age 62 to obtain paid coverage for themselves and their eligible dependent and union employees must have 20 years of service with the District and be age 55 to obtain paid coverage for themselves.

Annual OPEB cost and net OPEB obligation - The actuary's estimate of the District's *accrued OPEB liability*, also known as the *actuarial accrued liability*, which approximates the present value of all future expected postemployment medical premiums, associated administrative costs and stipend payments (which are attributable to the past service of active and retired employees) was \$43 million at September 30, 2009. The District's annual OPEB cost is the District's OPEB expenses on an accrual basis. The annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost (current and future benefits earned) each year and to amortize any unfunded actuarial liabilities over a period of time not to exceed thirty years. The District's estimated annual OPEB cost and ARC for fiscal year 2009 were approximately \$4.1 and \$4.2 million, respectively. The *net OPEB obligation* is the net amount for which the District would be obligated and is equivalent to the cumulative sum of the annual OPEB cost less estimated retiree claims, stipends and contributions to the plan paid by the District. The District's net OPEB obligation at September 30, 2009 was approximately \$5.7 million.

**REEDY CREEK IMPROVEMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2009

**10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued**

<u>Fiscal Year</u>	<u>Annual OPEB Costs</u>	<u>% Costs Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 2,526,331	15%	\$ 2,153,758
2009	4,136,160	14%	5,707,901

Funding policy, status and progress – The District has not currently funded any portion of the net OPEB obligation, however during fiscal year 2009 the Board of Supervisors designated \$500,000 for the future funding of the liability. The Actuarial Accrued Liability (AAL) and the Unfunded Actuarial Accrued Liability (UAAL) as of September 30, 2009 was \$43,172,825.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit method was used in the September 30, 2009 actuarial valuation. Actuarial assumptions included a 30 year (closed) amortization period, a 3% investment rate of return, a 20.188 Amortization Factor and an annual healthcare cost trend rate of 10% initially, reduced by 1% decrements to an ultimate rate of 5% by fiscal year 2020. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount.

Survivor Income Plan - The District also has a Survivor Income Plan for retirees that have met certain requirements during employment with the District. This benefit provides an equivalent of two times the participant's final annual base salary at retirement to their designated beneficiary upon their death. To qualify for this benefit they must have reached the position of manager, director or administrator and be age 62 with 10 years (7 years for directors and administrators) of service or 25 years of service with no age requirement. The District has purchased certain life insurance policies that can, but are not required to be used to fund these obligations. The District currently has two retirees that meet these eligibility requirements. Benefit payments of \$132,145 have been required to date.

**11. RISK MANAGEMENT**

The District is exposed to various risks of loss-related to theft of, damage to and destruction of assets, torts, injuries to employees and natural disasters for which the District is self insured and carries excess commercial insurance.

The District provides coverage for up to a maximum of \$1,000,000 for each worker's compensation claim, \$1,000,000 for each general liability claim and \$100,000 for each property damage claim. The District purchases commercial insurance for claims in excess of coverage provided. There have been no claim settlements in excess of insurance coverage during the three fiscal years ended September 30, 2007, 2008 and 2009.

**REEDY CREEK IMPROVEMENT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Year Ended September 30, 2009

**11. RISK MANAGEMENT – Continued**

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. Liabilities included an amount for claims that have been incurred but not reported. The self insurance liability of \$2,753,363 at September 30, 2009 is reported in accordance with the requirements of GASB Statement No. 10 based on an actuarial review of claims pending and past experience. Increases in the claims liability have occurred due to the District increasing the maximum coverage in recent years. Changes in the claims liability amount during fiscal years 2007, 2008 and 2009 are as follows:

**Changes in claims liability**

	Year ended September 30		
	<u>2009</u>	<u>2008</u>	<u>2007 (restated)</u>
Self insurance liability beginning balance	\$ 3,251,950	\$ 3,411,239	\$ 2,730,000
Claims and changes in estimates	285,304	389,739	1,248,485
Claims payments	<u>(783,891)</u>	<u>(549,028)</u>	<u>(567,246)</u>
Self insurance liability ending balance	<u>\$ 2,753,363</u>	<u>\$ 3,251,950</u>	<u>\$ 3,411,239</u>

**12. UNRESTRICTED NET ASSETS DEFICIT**

In the Statement of Net Assets the Governmental activities reflects a negative unrestricted net asset balance of \$137,363,068 due primarily to the financing, with long-term bonds of the District, of certain roadways that were subsequently donated to the State of Florida; and long-term bonds were issued in order to contribute to Osceola County's refinancing of their Transportation Improvement Bonds (Osceola Parkway). The roadways are not assets of the District, however the remaining debt, amounting to \$138,463,850 at September 30, 2009, associated with the roadways is a liability of the District. All of the bonds are Ad Valorem Tax bonds secured by an irrevocable lien on the ad valorem taxes collected by the District.

**13. COMMITMENTS AND CONTINGENCIES**

Construction

The District had outstanding construction commitments totaling approximately \$1.8 million for various projects at September 30, 2009. A total of approximately \$16.7 million has been spent on these projects to date.

Purchased Power and Gas

The District has entered into several Purchase Power Agreements (PPA) with public and private entities throughout Florida for the purchase and sale of power at wholesale rates. Some of these PPAs require the District to pay reservation charges for capacity. The District's minimum commitment for fiscal year 2010 reservation charges under these agreements is approximately \$27,700,000. There are no requirements for the District to sell wholesale power or reserve capacity for wholesale sales. Initial terms of the agreements expire in fiscal years 2010 through 2017, with various options for renewal or cancellation exercisable by both parties.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2009

#### 13. COMMITMENTS AND CONTINGENCIES – Continued

##### Purchased Power and Gas – continued

On December 16, 2009, the District entered into a PPA with Florida Power Corporation (FPC) for the period of January 1, 2011 through December 31, 2015. The FPC PPA is subject to approval by the Federal Energy Regulatory Commission. The existing FPC PPA expires on December 31, 2010.

Similarly, the District is obligated to purchase minimum pipeline capacity to transport natural gas under two agreements with Florida Gas Transmission Company. Minimum payments for natural gas under these agreements will total approximately \$3,000,000 for fiscal year 2010. The terms of the agreements expire in the year 2011 and 2015.

The District has entered into forward contracts for specified periods of time to purchase natural gas at either specified prices in the future or prices that fluctuate within ceiling and floor amounts. The District enters into these contracts to help plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible that the market price before or at the specified time to purchase natural gas may be lower or higher than the price at which the District is committed to buy. This would reduce or increase the value of the contracts. The District would have options with respect to holding the forward contracts. The District is also exposed to the failure of the counterparty to fulfill the contracts. The terms of the contracts included provisions for recovering the cost in excess of the guaranteed price from the counterparty should the District have to procure natural gas on the open market.

##### Derivative Fuel Instruments

The District's fuel-related derivative transactions, where applicable, are recorded on the Statement of Net Assets as either an asset or liability measured at fair market value. Related gains and/or losses on these transactions are deferred and recognized in the specific period in which the instrument is settled.

At September 30, 2009 the District has \$11,924,004 in fuel-related derivative instruments (swaps and options).

##### Concurrency Management Agreement

On December 7, 1995, pursuant to a Concurrency Management Agreement dated February 28, 1994, between the District and Osceola County, the District issued the 1995C Ad Valorem Tax Bonds, in order to fund certain road improvements and interchanges in the vicinity of U.S. Route 192, World Drive and Interstate 4. Osceola County agreed to participate in such financing by reimbursing the District for a portion of the debt service on the Bonds. However, such payments by Osceola County are not pledged to collateralize the District's Ad Valorem Tax Bonds. The District expects to receive from Osceola County approximately \$20,800,000 in total to be paid in various annual installments over the term of the 1995C bonds. The maximum annual payments are calculated based on growth in certain areas of the County affected by the improvements and are subject to annual appropriation by the County. The District records the annual payments as Intergovernmental Revenue when received from the County. Osceola County paid to the District \$819,345 during fiscal year 2009.

## REEDY CREEK IMPROVEMENT DISTRICT

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2009

#### 13. COMMITMENTS AND CONTINGENCIES – Continued

##### Osceola Parkway Agreement

In July of 1992, Osceola County issued \$149,999,313 Osceola County, Florida Transportation Improvement Bonds (“the Prior Osceola Bonds”) for the construction of the Osceola Parkway, a toll road constructed to improve the transportation systems in certain areas of Osceola County and the District. In connection with the issuance of the bonds, the District entered into a Bond Guarantee Agreement which required the District to make certain funds available for debt service on the bonds if operations of the toll road were insufficient to meet scheduled debt service. Amounts paid were to be reimbursed to the District by Osceola County. This obligation was junior and subordinate to all outstanding Ad Valorem Tax Bonds of the District.

In 2003 the District wrote off \$23,368,613 in amounts previously advanced and recorded as receivables from Osceola County under the Bond Guarantee Agreement in connection with its entrance into the transactions described below.

In January 2004, the District entered into an Amended and Restated Bond Guarantee Agreement in connection with the issuance of the Series 2004A Ad Valorem Tax Bonds in the amount of \$63,520,000. These bonds were issued to refinance, together with proceeds from \$110,935,000 Osceola County Transportation Improvement Refunding Bonds, the Prior Osceola Bonds. The District’s obligation to make payments required by the Amended and Restated Bond Guarantee Agreement is subordinate to all outstanding Ad Valorem Tax Bonds of the District. Osceola County has agreed to repay the debt service of the District’s 2004A Ad Valorem Tax Bonds and any guarantee payments that are required along with accrued interest from excess toll revenues, if any, when they become available. These payments will terminate upon the earlier of repayment in full or April 1, 2034. The District has recorded \$31,875 due from Osceola County as of September 30, 2009. The funds were received in October 2009.

##### STOPR Agreements

In September 2009, the District entered into agreements with the City of St. Cloud, the Tohopekaliga Water Authority, Orange County and Polk County in cooperation with South Florida Water Management District to provide for wetland restoration of certain wetlands within and outside of the District and to engage in mitigation, monitoring and to conduct studies relating to their potential contribution to future harm to certain wetlands. The agreements, as amended, provide that in order to jointly fund these projects the parties will make payments over four years totaling \$9,544,791. The District’s portion of these payments is \$4,452,969. During fiscal year 2009, the District paid \$1,589,188.

##### Litigation and Other Claims

Various suits and claims arising in the ordinary course of operations are pending against the District. Management believes that the ultimate disposition of such matters will not materially affect the financial position of the District or the results of its operations.

**REEDY CREEK IMPROVEMENT DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
SCHEDULES SUPPORTING MODIFIED APPROACH FOR DISTRICT  
INFRASTRUCTURE CAPITAL ASSETS

Year Ended September 30, 2009

**Assessed Condition of Infrastructure Assets**

	<u>% of Roadways</u>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Roads (Note 2. A.):					
Excellent	99%	98%	98%	97%	95%
Acceptable	1%	2%	2%	3%	5%
Poor	0%	0%	0%	0%	0%

	<u>Bridges by Category</u>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Bridges (Note 2. B.):					
Excellent	41	40	43	38	41
Good	2	3	-	5	-
Poor	-	-	-	-	-
	<u>43</u>	<u>43</u>	<u>43</u>	<u>43</u>	<u>41</u>

	<u>Structures by Priority</u>			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Water Control Structures (Note 2. C.)				
Structures requiring Priority 1 repairs	3	3	2	3
Structures requiring Priority 2 repairs	-	-	-	-
Structures requiring Priority 3 repairs	547	547	548	547
	<u>550</u>	<u>550</u>	<u>550</u>	<u>550</u>

	<u>Structures by Category</u>
	<u>2009</u>
Water Control Structures (Note 2. C.)	
Excellent	19
Good	5
Poor	-
	<u>24</u>

**Maintenance and Preservation Costs - Budget and Actual**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Budgeted Costs:						
Roads	\$ 2,569,804	\$ 4,179,834	\$ 2,192,405	\$ 3,772,000	\$ 1,910,000	\$ 732,277
Bridges	300,000	127,000	158,220	582,000	-	-
Water Control Structures	2,403,100	2,967,100	2,153,100	1,108,000	1,152,000	-
Actual Costs:						
Roads	n/a	\$ 2,710,368	\$ 1,787,605	\$ 2,114,069	\$ 1,997,000	\$ 621,102
Bridges	n/a	68,610	-	531,764	-	-
Water Control Structures	n/a	415,199	385,189	-	409,000	-

## REEDY CREEK IMPROVEMENT DISTRICT

### REQUIRED SUPPLEMENTARY INFORMATION (RSI) SCHEDULES SUPPORTING MODIFIED APPROACH FOR DISTRICT INFRASTRUCTURE CAPITAL ASSETS

Year Ended September 30, 2009

#### **1. Election to use Modified Approach**

The District has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its roads, bridges and water control structures. The infrastructure capital assets are managed using an asset management system with (1) an up-to-date inventory; (2) annual or bi-annual (depending on the asset) condition assessment that is summarized using a numerical measurement scale; and (3) estimate annual amount to maintain and preserve the asset at the established condition assessment level.

#### **2. Basis for Condition Assessments and Targeted Condition Level**

##### **A. Roads**

The District performs a bi-annual physical condition assessment of the streets/roadways within its jurisdiction. Roads and/or streets which are most commonly asphaltic pavement, were defined as public right-of-way used primarily for vehicular transportation. The physical condition assessment was performed using the Pavement Surface Evaluation and Rating (PASER) method, developed at the University of Wisconsin - Madison. All roads were visually inspected and given a numerical rating of 1 to 10, varying from poor to excellent condition. The ratings were based on visual observation of the roads surface condition: defects or deformation, cracking (transverse, reflective, longitudinal and alligator), and patching/pot hole frequency. A numerical rating of 7 through 10 corresponded to an assessment of 'Excellent' and requires no or only routine maintenance. A numerical rating of 5 or 6 corresponded to an assessment of 'Acceptable' and requires crack sealing, minor patching or preservative treatments. A rating of 1 through 4 would require structural improvement or reconstruction and received an assessment of 'Poor'. The District attempts to preserve all roadways at an assessment condition of Excellent. The minimum acceptable level is a condition assessment of 'Acceptable'. Infrequently, a roadway may fall into the Poor category, due to unexpected and/or severe stresses, i.e. overloading due to construction traffic, base deterioration due to a saturated condition, etc. In this circumstance the required repairs are accelerated so as to restore the roadway to a minimum acceptable level.

Streets and roads are constantly deteriorating due to environmental causes (weathering and aging) and structural causes (repeated traffic loading). The rate at which pavement deteriorates depends on the original construction quality, environmental conditions, drainage, traffic loading and interim maintenance procedures. The Reedy Creek Improvement District bases all pavement design on existing traffic counts, proposed traffic generation due to planned development and known loading factors. We continually maintain the pavement by way of crack sealing, patching and applying preservative treatments as well as structural overlay work when warranted. This substantially extends the useful life of asphaltic pavement.

## REEDY CREEK IMPROVEMENT DISTRICT

### REQUIRED SUPPLEMENTARY INFORMATION (RSI) SCHEDULES SUPPORTING MODIFIED APPROACH FOR DISTRICT INFRASTRUCTURE CAPITAL ASSETS - CONTINUED

Year Ended September 30, 2009

#### **2. Basis for Condition Assessments and Targeted Condition Level – Continued**

##### **A. Roads - Continued**

As a result of our previous year's annual assessment of the pavement on the District's roadway system, as well as our desire to extend the pavement life and to improve the comfort and ride-ability of the system, we planned for the refurbishment/overlay of 9.2 lane miles of roadway and the total replacement of structural course for 4.1 lane miles of roadway during fiscal year 2009. The cost of this major rehabilitation was estimated and budgeted at \$3,449,834; we completed this work prior to the end of fiscal year 2009 at a cost of \$ 2,234,039. This work was programmed to address roads classified in "Acceptable" condition and to work toward our goal of raising the ranking of all roads within the District to the ranking of "Excellent". The work completed in FY 2009, allowed us to increase our ranking of "Excellent" roads to 99%, leaving only 1% with a ranking of "Acceptable".

In addition to this major asphalt refurbishment, the District continued with repairs and upgrades throughout its system during FY 2009. A total of \$235,800 was budgeted for upgrades to the roadway signalization system. This work was completed at a cost of \$253,298. The remainder of the roadway maintenance expenditures for fiscal year 2009 were for routine repair of asphalt, shoulder protection, guard rails repair and replacement.

##### **B. Bridges**

There are currently 43 bridges within the District and all are inspected bi-annually by a Florida licensed Structural Engineer, then using the Florida Department of Transportation (FDOT) reporting system, the bridge deck, superstructure, substructure, and channel configuration are rated from Excellent to Poor. Using this information, the District rates it's bridges Poor, Good or Excellent. The ages of the bridges within the District span almost 40 years with 6 that have an age in excess of 35 years, with the majority constructed during the 1990's and 7 within the last 10 years. Despite the age of the bridges throughout the District, all of the bridges are in Excellent or Good condition. The preservation and maintenance of these bridges is an on-going activity.

Within recent years it has become apparent that the high volume of bus traffic along the District roadways was causing excess deterioration of the armor joints within the bridge decks. Although this deterioration was not critical and yielded no safety issues, a test program was implemented to find a better alternative for protecting these bridge joint. After testing various products, it was decided that the replacement of these armor joints by a new expansion joint system would greatly reduce maintenance efforts, decrease maintenance costs and extend the useful life of the bridge joints. Subsequently, in 2008 the District ceased repairing armor joints, choosing instead to remove armor joints as they experienced initial signs of failure and replace them with an alternative expansion media. In FY 2009, maintenance expenditures totaled \$68,610. These costs were expended for the installation of expansions joint systems on 13 bridge structures as well as routine bridge repairs throughout the District.

## REEDY CREEK IMPROVEMENT DISTRICT

### REQUIRED SUPPLEMENTARY INFORMATION (RSI) SCHEDULES SUPPORTING MODIFIED APPROACH FOR DISTRICT INFRASTRUCTURE CAPITAL ASSETS - CONTINUED

Year Ended September 30, 2009

#### **C. Water Control Structures**

The Master Drainage System within the District is comprised of 66 river miles of canals and waterway. It incorporates 26 major water control structures, 22 Amil Gates, three sharp crested weirs, and one set of 48" diameter culverts. The Amil Gates are constant level water control structures. They provide a consistent water level within the waterways or canals and open, due to water pressure, during a storm event, allowing flood waters to pass downstream and exit the District. The three weirs maintain water levels at a set elevation; as the flood waters rise due to a storm event, they spill over the weirs and pass downstream. The two 48" culverts act as an overflow or pass though allowing flood waters to pass to an adjacent wetland on the eastern perimeter of the District. Many of these structures were constructed during the late 1960's making the structures 35 - 40 years old. The structures are all in working order and generally in good condition.

The major water control structures throughout the District are inspected annually and a condition assessment report is generated. This Annual Water Control Structure (WCS) Report lists all items inspected both above ground and below the water surface. Using this information, the structure condition is assigned, the required repairs are prioritized and the repair work is scheduled. Required repairs are listed as Priority 1, 2 or 3. Priority 1 signifies a major rehabilitive repair. Priority 1 repairs are items that if not repaired, may degrade the integrity of the structural element or reduce the operational capacity of the structure. Historically, we have found items that require listing as a Priority 1, often occur in underwater conditions and have evolved over long periods of time. This type of repair may require extensive construction work and as such, cannot always be done immediately, but must be scheduled & budgeted in a future year. Priority 2 repairs are those that can be addressed as routine monthly maintenance. Priority 3 are items not in current need of repair and signify a condition, though noteworthy, that is expected to remain stable for a number of years. As such, the recommendation is that Priority 3 items need not be separately scheduled for repair, but addressed when the structure undergoes Priority 1 or Priority 2 repairs.

In prior years, the Condition of Infrastructure Assets table included in this report categorized the structures by the number of repairs within each priority category. In an effort to make this table more readable and informative, that is changed in this year's report. Structures are now classified by their overall condition and are listed as Good, Fair or Poor condition.

During fiscal year 2009 no Priority 1 repairs were completed. Preservation and maintenance costs (Priority 2 and 3 repairs) for routine maintenance on levees, canals and structures, totaled \$415,199.

**REEDY CREEK IMPROVEMENT DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
OTHER POST EMPLOYMENT BENEFITS  
SCHEDULE OF FUNDING PROGRESS

Year Ended September 30, 2009

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded AAL (UAAL)</u>	<u>Percentage Funded</u>	<u>Annual Covered Payroll</u>	<u>UAAL as Percentage of Payroll</u>
10/1/2007	\$24,115,157	\$ -	\$ 24,115,157	0.00%	\$ 19,562,298	123.27%
10/1/2008	43,172,825	-	43,172,825	0.00%	\$ 20,651,822	209.05%

*The District implemented GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the 2007-08 fiscal year, hence only two years of data is available.*