

**CELEBRATION COMMUNITY  
DEVELOPMENT DISTRICT, FLORIDA**

**FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2010**

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

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As of September 30, 2010

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# **CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA**

Board of Supervisors

As of September 30, 2010

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## CHAIRPERSON

Cliff Akey

## VICE-CHAIRPERSON

Paul Collins

## SECRETARY

Tom Sunnarborg

## TREASURER

Lee Moore

## ASSISTANT SECRETARY

Bruce Carlson

## ASSISTANT TREASURER

Gary Moyer

## DISTRICT MANAGER

Severn Trent

## DISTRICT ATTORNEY

Latham, Shuker, Eden & Beaudine, LLP

## DISTRICT ENGINEER

Hanson, Walter and Associates

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Hoyman Dobson

## Independent Auditors' Report

Board of Supervisors  
Celebration Community Development District, Florida

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

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

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

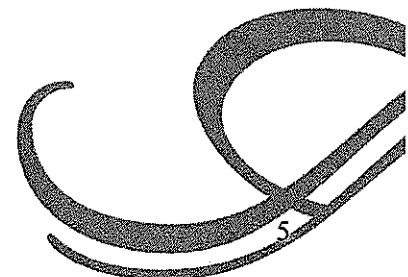
In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2011 on our consideration of Celebration Community Development District, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 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.

*Certified Public Accountants*

215 Baytree Drive | Melbourne, FL 32940 | p: (321) 255.0088 | f: (321) 259.8648

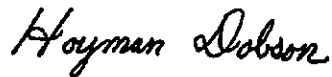
4767 New Broad Street | Orlando, FL 32814 | p: (407) 422.1681 | f: (407) 514.2604

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Board of Supervisors  
Celebration Community Development District, Florida  
Page Two

Management's discussion and analysis (pages 7 through 11) and the required supplementary information (pages 37 and 38) are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



**Hoyman Dobson**  
Melbourne, Florida  
April 27, 2011

# **CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA**

## **Management's Discussion and Analysis**

September 30, 2010

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Our discussion and analysis of Celebration Community Development District's (the "District") financial performance provides an overview of the District's financial activities for the year ended September 30, 2010. Please read it in conjunction with the District's basic financial statements, which immediately follow this discussion.

### **FINANCIAL HIGHLIGHTS**

The following are highlights of financial activity for the year ended September 30, 2010:

- The District's total assets exceeded its liabilities at September 30, 2010 by \$49,002,087. Invested in capital assets, net of related debt for the District was \$38,674,698. Governmental activities restricted net assets were \$6,228,009. Unrestricted net assets for governmental activities were \$4,099,380.
- The District's total revenues were \$8,575,364; \$2,738,728 from charges for services, \$4,955,670 from capital grants and contributions, \$822,739 from franchise fees, and \$58,227 from investment income. The District's expenses for this year were \$7,522,819. The District's net assets increased \$1,052,545.
- At September 30, 2010, the District's governmental funds reported combined ending fund balances of \$9,179,725, an increase of \$842,138 in comparison with the prior year. Approximately 25% of the governmental funds balance is available for spending at the District's discretion (unreserved fund balance).

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **A. Government-Wide Financial Statements**

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

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

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

The government-wide financial statements can be found on pages 13 and 14 of this report.

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Management's Discussion and Analysis

September 30, 2010

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## B. 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 has only one fund type: 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 balances of spendable resources available at the end of the 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 District's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements can be found on pages 16 through 20 of this report.

## C. Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 34 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statement of net assets.

Celebration Community Development District  
Statement of Net Assets

	2010	2009
Current and other assets	\$ 11,407,397	\$ 10,307,104
Capital assets	71,195,934	73,595,312
Total assets	<u>82,603,331</u>	<u>83,902,416</u>
Other liabilities	1,080,008	869,766
Long-term liabilities	32,521,236	35,083,108
Total liabilities	<u>33,601,244</u>	<u>35,952,874</u>
Net assets:		
Invested in capital assets, net of related debt	38,674,698	38,512,204
Restricted	6,228,009	5,743,579
Unrestricted	4,099,380	3,693,759
Total net assets	<u>\$ 49,002,087</u>	<u>\$ 47,949,542</u>

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

## Management's Discussion and Analysis

September 30, 2010

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A decrease of \$1,299,085 in total assets is mainly attributed to a \$2,399,378 net decrease in capital assets due to depreciation expense of \$2,696,888 offset by a land addition of \$61,000 and other improvements, equipment and infrastructure additions of \$236,510. Total liabilities decreased by \$2,351,630 mostly due to approximately \$2.57 million dollars in principal paid to decrease long-term liabilities as of September 30, 2010. This was offset by \$52,613 less in accrued interest at year end and \$267,757 more in accounts payable due to timing of payments to vendors. Net restricted and unrestricted assets increased \$890,051 primarily due to a surplus of revenues over expenditures and the changes in assets and liabilities outlined above.

### Governmental Activities

Governmental activities increased the District's net assets by \$1,052,545, as reflected in the table below:

	2010	2009
<u>Celebration Community Development District</u> <u>Statement of Activities</u>		
Revenues:		
Program revenue:		
Charges for services	\$ 2,738,728	\$ 2,744,069
Capital grants and contributions	4,955,670	4,355,351
General revenue:		
Franchise fees	822,739	798,684
Miscellaneous revenues	-	9,560
Unrestricted investment earnings	58,227	7,536
Total revenues	<u>8,575,364</u>	<u>7,915,200</u>
Expenses:		
General government	3,643,770	3,596,922
Maintenance	2,187,444	2,538,084
Interest on long-term debt	1,691,605	1,804,380
Total expenses	<u>7,522,819</u>	<u>7,939,386</u>
Change in net assets	1,052,545	(24,186)
Net assets - beginning	<u>47,949,542</u>	<u>47,973,728</u>
Net assets - ending	<u>\$ 49,002,087</u>	<u>\$ 47,949,542</u>

# **CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA**

## **Management's Discussion and Analysis**

September 30, 2010

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An increase of \$660,164 in total revenues is a result of an increase in unrestricted investment earnings of \$50,691 due to the District putting more funds in higher yielding money market accounts. There was also an increase in franchise fees of \$24,055 and an increase in capital contributions of \$600,319. Total expenses decreased by \$416,567 primarily due to a decrease in maintenance expenses of \$350,640. There was also a decrease in interest on long term debt of \$112,775, based on scheduled payments for 2010. These decreases were offset by an increase in general government expenses of \$46,848.

### **ANALYSIS OF THE GOVERNMENTAL FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's net resources available for spending at the end of the fiscal year. The General, Debt Service, and Capital Project Funds comprise the total governmental funds. As of the end of the most current fiscal year, the District's governmental funds reported combined ending fund balance of \$9,179,725, an increase of \$842,138 as compared to the total balance on October 1, 2009. This increase was primarily due to governmental fund assets increasing by \$1,139,922 from the prior year in the cash and investments area. This was offset by governmental fund liabilities increasing by \$297,784 due to accounts payable increasing. Approximately 25% of the governmental funds balance is available for spending at the District's discretion (unreserved fund balance).

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The following is a brief review of the final budget to actual changes. A detailed budgetary comparison schedule for the General Fund is included on page 37 of the Required Supplementary Information (RSI) section.

The variance between the final budget and the actual changes in the General Fund reflects total revenues and expenditures less appropriations of \$(17,324) and \$287,516, respectively.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The District's capital assets, less accumulated depreciation, for its governmental activities as of September 30, 2010 amounted to \$71,195,934, and consist of land, improvements, equipment and infrastructure. During the year, the District's net capital asset balance decreased \$2,399,378 from \$73,595,312. The decrease represents depreciation expense of \$2,696,888 offset by a land addition of \$61,000 and improvement, equipment and infrastructure additions of \$236,510. Additional information on the District's capital assets can be found in Note 4.C. on page 29 of this report.

At the end of the year, the District had total bonded debt outstanding of \$32,521,236. During the year, the District's bonded debt outstanding decreased \$2,561,872 from \$35,083,108. The District's debt represents bonds secured solely by a specified revenue source (i.e., debt service special assessments). Additional information on the District's long-term debt can be found in Note 4.D. on pages 29 through 34 of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

For fiscal year 2011, the District anticipates that the cost of general operations will remain fairly constant. In addition, no new debt was issued during the 2010 fiscal year and the District has no immediate need to issue additional debt.

# **CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA**

Management's Discussion and Analysis

September 30, 2010

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## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Celebration Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Celebration Community Development District, 610 Sycamore Street, Suite 140, Celebration, Florida 34747.

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# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

## Statement of Net Assets - Governmental Activities

September 30, 2010

### ASSETS

Cash and cash equivalents	\$ 1,459,750
Accounts receivable	55,658
Prepaid expenses	12,665
Investments - unrestricted	250,000
Restricted assets:	
Investments	7,743,033
Accrued interest receivable	67
Deferred charges, net of accumulated amortization	1,823,604
Due from other governments	62,620
Capital assets:	
Nondepreciable	
Land	30,927,669
Depreciable, net of accumulated depreciation	
Improvements	1,964,957
Equipment	34,328
Infrastructure	38,268,980
Total assets	<u>82,603,331</u>

### LIABILITIES

Accounts payable	396,219
Accrued interest	675,940
Deferred revenue	7,849
Noncurrent liabilities:	
Due within one year	2,566,872
Due in more than one year	29,954,364
Total liabilities	<u>33,601,244</u>

### NET ASSETS

Invested in capital assets, net of related debt	38,674,698
Restricted for:	
Debt service	3,835,293
Capital projects	2,392,716
Unrestricted	4,099,380
Total net assets	<u>\$ 49,002,087</u>

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

## Statement of Activities - Governmental Activities

Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 3,643,770	\$ 2,738,728	\$ -	\$ 4,955,670	\$ 4,050,628
Maintenance	2,187,444	-	-	-	(2,187,444)
Interest on long term debt	1,691,605	-	-	-	(1,691,605)
Total governmental activities	\$ 7,522,819	\$ 2,738,728	\$ -	\$ 4,955,670	171,579
General revenues:					
Franchise fees					822,739
Unrestricted investment earnings					58,227
Total general revenues					880,966
Change in net assets					1,052,545
Net assets, beginning of year					47,949,542
Net assets, end of year					\$49,002,087

The accompanying notes are an integral part of this financial statement.

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# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Balance Sheet - Governmental Funds

September 30, 2010

	General	Debt Service Funds	
		Special Assessment Bonds, Series 1997	Special Assessment Bonds, Series 2002
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,345,426	\$ -	\$ -
Accounts receivable	45,975	1,640	1,857
Investments - unrestricted	1,048,658	-	-
Restricted assets:			
Investments	76,192	1,004,596	679,040
Accrued interest receivable	-	-	-
Due from other funds	54,648	-	-
Due from other governments	23,795	4,506	15,434
Prepaid expenses	12,665	-	-
Total assets	<u>\$ 2,607,359</u>	<u>\$ 1,010,742</u>	<u>\$ 696,331</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 328,591	\$ -	\$ -
Retainage payable	-	-	-
Deferred revenue	2,992	523	1,670
Due to other funds	-	-	-
Total liabilities	<u>331,583</u>	<u>523</u>	<u>1,670</u>
Fund balances:			
Reserved for:			
Debt service funds	-	1,010,219	694,661
Capital projects funds	-	-	-
Prepaid expenses	12,665	-	-
Unreserved, reported in:			
General fund	2,263,111	-	-
Total fund balances	<u>2,275,776</u>	<u>1,010,219</u>	<u>694,661</u>
Total liabilities and fund balances	<u>\$ 2,607,359</u>	<u>\$ 1,010,742</u>	<u>\$ 696,331</u>

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Other assets, including bond issuance costs, are not available to pay for current period expenditures and therefore are not recorded in the funds.

Long-term liabilities, including accrued interest and bonds payable, if any, are not due and payable in the current period and therefore are not reported in the funds.

Net assets of governmental activities

	<u>Capital Projects Fund</u>			
<u>Special Assessment Bonds, Series 2005</u>	<u>Special Assessment Bonds, Series 2005</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
\$ -	\$ -	\$ 114,324	\$	1,459,750
1,438	-	4,748		55,658
-	-	-		1,048,658
1,320,238	1,871,855	1,992,454		6,944,375
-	-	67		67
-	-	-		54,648
11,132	-	7,753		62,620
-	-	-		12,665
<u>\$ 1,332,808</u>	<u>\$ 1,871,855</u>	<u>\$ 2,119,346</u>	<u>\$</u>	<u>9,638,441</u>
\$ -	\$ -	\$ -	\$	328,591
-	67,628	-		67,628
1,420	-	1,244		7,849
-	54,648	-		54,648
<u>1,420</u>	<u>122,276</u>	<u>1,244</u>		<u>458,716</u>
1,331,388	-	1,474,965		4,511,233
-	1,749,579	643,137		2,392,716
-	-	-		12,665
-	-	-		2,263,111
<u>1,331,388</u>	<u>1,749,579</u>	<u>2,118,102</u>		<u>9,179,725</u>
<u>\$ 1,332,808</u>	<u>\$ 1,871,855</u>	<u>\$ 2,119,346</u>		
				71,195,934
				1,823,604
				<u>(33,197,176)</u>
			<u>\$</u>	<u>49,002,087</u>

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

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

Year Ended September 30, 2010

	General	Debt Service Funds	
		Special Assessment Bonds, Series 1997	Special Assessment Bonds, Series 2002
<b>Revenues</b>			
Special assessments	\$ 2,655,604	\$ 661,881	\$ 1,722,334
Franchise fees	822,739	-	-
Investment earnings	52,554	529	472
Total revenues	<u>3,530,897</u>	<u>662,410</u>	<u>1,722,806</u>
<b>Expenditures</b>			
Current:			
General government	358,720	8,437	19,013
Maintenance	2,711,509	-	-
Capital outlay	50,347	-	-
Debt service:			
Principal retired	-	425,000	930,000
Interest and other fiscal charges	-	223,438	736,645
Total expenditures	<u>3,120,576</u>	<u>656,875</u>	<u>1,685,658</u>
Net change in fund balances	410,321	5,535	37,148
Fund balances, beginning of year	<u>1,865,455</u>	<u>1,004,684</u>	<u>657,513</u>
Fund balances, end of year	<u>\$ 2,275,776</u>	<u>\$ 1,010,219</u>	<u>\$ 694,661</u>

	<u>Capital Projects Fund</u>			
<u>Special Assessment Bonds, Series 2005</u>	<u>Special Assessment Bonds, Series 2005</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
\$ 1,728,126	\$ -	\$ 865,453	\$ 7,633,398	
-	-	-	822,739	
336	1,674	2,662	58,227	
<u>1,728,462</u>	<u>1,674</u>	<u>868,115</u>	<u>8,514,364</u>	
13,715	-	10,104	409,989	
-	-	-	2,711,509	
-	186,163	-	236,510	
930,000	-	285,000	2,570,000	
294,800	-	489,335	1,744,218	
<u>1,238,515</u>	<u>186,163</u>	<u>784,439</u>	<u>7,672,226</u>	
489,947	(184,489)	83,676	842,138	
841,441	1,934,068	2,034,426	8,337,587	
<u>\$ 1,331,388</u>	<u>\$ 1,749,579</u>	<u>\$ 2,118,102</u>	<u>\$ 9,179,725</u>	

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of

Governmental Funds to the Statement of Activities

Year Ended September 30, 2010

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Net change in fund balances - total governmental funds \$ 842,138

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (2,460,378)

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 61,000

Amortization of deferred charges, which consist of cost of issuance and discounts reported in the statement of activities, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. (12,828)

The change in accrued interest on long-term liabilities between the current and prior fiscal year is recorded in the statement of activities but not in the fund financial statements. 52,613

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets. 2,570,000

Change in net assets of governmental activities \$ 1,052,545

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. REPORTING ENTITY

The Celebration Community Development District, Florida (the “District”) is an independent special district organized and existing as a community development district under Chapter 190, Florida Statutes. The District was established on March 8, 1994 by the Florida Land and Water Adjudicatory Commission by Chapter 42Q, Florida Administrative Code and became effective March 29, 1994. The District encompasses approximately 6,548 acres of an anticipated 9,500-acre planned community (“Celebration”) being developed in Osceola County, Florida by the Celebration Company (the “Developer”), a wholly-owned subsidiary of The Walt Disney Company. Phase V/South Village 2 of the District is being developed by St. Joe/Arvida Company, L.P. (“Arvida”).

The District was established to finance and manage the planning, acquisition, construction, maintenance, and operation of a portion of the infrastructure necessary for community development within the District and outside the District pursuant to interlocal agreements.

The District is governed by an elected Board of Supervisors which consists of five members. The Board is responsible for budgetary approval, oversight of management, accountability, and control of fiscal matters.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. No potential component units were found for which the above criteria required consideration in defining the government’s reporting entity.

### 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 functions of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are those which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. *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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating-type special assessments for maintenance are treated as charges for services. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

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## NOTE 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Special assessments are recognized as revenues in the year for which they are assessed. 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Special assessments, franchise taxes, licenses, charges for services, 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 considered to be measurable and available only when cash is received by the government.

Funds are classified into three categories: governmental, proprietary, and fiduciary. The governmental category, in turn, is divided into separate "fund types." The District does not have proprietary or fiduciary fund categories at this time.

The District reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Debt Service Special Assessment Bonds, Series 1997, Special Assessment Bonds, Series 2002 and Special Assessment Bonds, Series 2005** - These debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs, to retire debt related to the respective debt issues in the current and future periods.

**Capital Projects Special Assessment Bonds, Series 2005** - This capital project fund is used to account for major capital acquisitions and projects, separate from normal operations.

The District's nonmajor governmental funds consist of debt service funds (Debt Service Special Assessment Bonds, Series 1999 and 2003) and capital project funds (Capital Projects Special Assessment Bonds, Series 1997, 1999, 2002 and 2003).

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

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## NOTE 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, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Operating-type special assessments for maintenance are treated as charges for services. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include other taxes not properly included as program revenue.

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

### D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

#### 1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity date within three months of the date acquired by the District, and investments held in the Florida PRIME. The District's investments consist of money market mutual funds and certificates of deposit held by a bank pursuant to a trust agreement. These investments are stated at fair value.

The District invests certain surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the "State Pool"). The State Pool is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. During the year ended September 30, 2008, the SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restriction on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools ("Florida PRIME" (formally LGIP) and "Fund B"). As of fiscal year 2008, the District is no longer investing available cash in the SBA.

The Florida PRIME has adopted operating procedures consistent with the requirements for a 2a7-like fund. The District's investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares.

The Fund B is reported at fair value, determined by the fair value per share of the pool's underlying portfolio.

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

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

### D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

#### 2. Restricted Assets

Certain assets in the Debt Service Funds are restricted as to use by specific provisions of bond resolutions. These assets are classified as restricted assets on the balance sheet.

#### 3. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds."

Maintenance and debt service assessments are billed and collected within the same fiscal period. The fiscal year for which assessments are levied begins October 1.

Receivables of \$55,658 include special assessments owed directly to the District that are not paid to the tax collector's office. The District deems its receivables fully collectible; therefore, there is no allowance for doubtful accounts.

#### 4. Capital Assets

Capital assets, which include infrastructure assets (e.g., curbs and gutters, streets and sidewalks, drainage systems and lighting systems), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Equipment	3-10 years
Improvements	15-30 years
Infrastructure	20-30 years

#### 5. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium and discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

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

### D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

#### 5. Long-Term Liabilities (continued)

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

#### 6. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

## NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. DEBT COVENANTS

The District has covenanted in the Bond Resolutions to determine, order and levy benefit special assessments annually against the lands within its territorial boundaries in amounts sufficient to pay the principal, premium, if any, and interest on certain outstanding bonds and such other amounts due under the Resolutions.

### B. BUDGETARY INFORMATION

As permitted by GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments, the District has elected to disclose all budgetary information in the notes to the required supplementary information on page 37.

## NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET 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. One element of that reconciliation explains that "long-term liabilities, including accrued interest and bonds payable, if any, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(33,197,176) difference are as follows:

Bonds payable	\$ (32,521,236)
Interest payable	(675,940)
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets-governmental activities	<u>\$ (33,197,176)</u>

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

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## NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

### A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$(2,460,378) difference are as follows:

Capital outlay	\$ 236,510
Depreciation expense	<u>(2,696,888)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (2,460,378)</u>

## NOTE 4 – DETAILED NOTES ON ALL FUNDS

### A. DEPOSITS AND INVESTMENTS

At September 30, 2010, the carrying amount of the District's deposits with banks was \$1,403,622 and the bank balance was \$1,405,947. As of September 30, 2010, \$250,000 of the District's bank balances is covered by federal depository insurance corporation (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the District pursuant to Section 280.08, Florida Statutes.

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

## NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### A. DEPOSITS AND INVESTMENTS (CONTINUED)

As of September 30, 2010, the District had the following investments and effective duration presented in terms of years:

<u>Investment Type</u>	<u>Credit Rating (S&amp;P)</u>	<u>Fair Value</u>	<u>Investment Maturity (Year)</u>		
			<u>Less than 1</u>	<u>1 – 5</u>	<u>Over 5</u>
<b>Government-wide</b>					
Money Market Funds	AAAm	\$ 7,622,326	\$ 7,622,326	\$ -	\$ -
Certificates of Deposit	Unrated	1,048,658	1,048,658	-	-
SBA Florida PRIME	AAAm	56,028	56,028	-	-
SBA Fund B	Unrated	76,192	-	-	76,192
		<u>\$ 8,803,204</u>	<u>\$ 8,727,012</u>	<u>\$ -</u>	<u>\$ 76,192</u>

#### Interest Rate Risk

The District's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements, in accordance with the District's investment policy as adopted by Resolution 95-3 on September 28, 1995 and amended by Resolution 98-8 on August 27, 1998.

#### Credit Risk

The District's investment policy pursuant to Florida State Statute 218.415 permits investments in the following: Local Government Surplus Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories; direct obligations of the United States Treasury; federal agencies and instrumentalities; securities of, or other investments in, any open-ended or closed-ended management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C ss. 80a-1 et seq., as amended from time to time, provided the portfolio of such an investment company or investment trust is limited to United States Government obligations and provided such an investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; other investments authorized by law or by ordinance for a county or a municipality; other investments authorized by law or by resolution for a school district or a special district.

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

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## NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### A. DEPOSITS AND INVESTMENTS (CONTINUED)

#### Custodial Credit Risk

The District's investment policy pursuant to Florida State Statutes 218.415(18), requires securities, with the exception of certificates of deposit, to be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined by Section 658.12, Florida State Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposit maintained by book-entry at the issuing bank shall clearly identify the District as the owner.

As of September 30, 2010, the District's investments were held with a third-party custodian as required by the District's investment policies.

### B. INTERFUND TRANSFERS

Interfund receivables and payables of the District at September 30, 2010 are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
<b>General Fund</b>	\$ 54,648	\$ -
<b>Capital Project Funds</b>		
Special Assessment Bonds, Series 2005	-	54,648
<b>Total</b>	<u>\$ 54,648</u>	<u>\$ 54,648</u>

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

## NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### C. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 30,866,669	\$ 61,000	\$ -	\$ 30,927,669
Capital assets, being depreciated:				
Improvements	* 3,041,241	166,704	-	3,207,945
Equipment	* 21,320	17,506	-	38,826
Infrastructure	* 65,893,597	52,300	-	65,945,897
Total capital assets being depreciated	68,956,158	236,510	-	69,192,668
Less accumulated depreciation for:				
Improvements	* (1,043,458)	(199,530)		(1,242,988)
Equipment	* (1,968)	(2,530)		(4,498)
Infrastructure	* (25,182,089)	(2,494,828)	-	(27,676,917)
Total accumulated depreciation	(26,227,515)	(2,696,888)	-	(28,924,403)
Total capital assets, being depreciated, net	42,728,643	(2,460,378)	-	40,268,265
Governmental activities capital assets, net	\$ 73,595,312	\$ (2,399,378)	\$ -	\$ 71,195,934

The total depreciation expense of \$2,696,888 was charged to general government functions.

\* Reclassified to be consistent with the 2010 presentation

### D. DESCRIPTION OF AND CHANGES IN GENERAL LONG-TERM DEBT

#### \$19,365,000 Special Assessment Bonds Payable, Series 1997

In 1997, the District issued \$9,890,000 and \$9,475,000 Special Assessment Bonds, Series 1997A and 1997B, respectively. The bonds were issued to finance the acquisition and construction of the second phase of certain assessable improvements within the District, to fund a debt service reserve fund and to pay capitalized interest on the bonds. The primary sources of payment for the bonds are the assessments imposed on each benefited landowner within the District. Total aggregate principal outstanding at September 30, 2010 was \$3,665,000.

Major Debt Provisions – The special assessment bond issue and related interest is collateralized by an irrevocable lien on the proceeds from non ad valorem special assessments imposed, levied, and collected by the District on land within the District.

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

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## NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### D. DESCRIPTION OF AND CHANGES IN GENERAL LONG-TERM DEBT (CONTINUED)

The District may not issue or incur any additional obligations payable from the proceeds of the non ad valorem special assessments related to the second phase.

Prepayments – As parcels of land are sold within the District, certain prepayments of special assessments are received and placed on deposit with the trustee for prepayment on the first call date in accordance with the terms of the bond indenture. There was \$80,000 of prepayments for fiscal year 2010.

Arbitrage Rebate Payable – The rebate calculation is made every five year period. No aggregate rebate amount is due at September 30, 2010; however, the actual rebate amount, if any, may differ due to changes in market interest rates.

#### **\$19,760,000 Special Assessment Bonds Payable, Series 1999**

In 1999, the District issued \$19,760,000 Special Assessment Bonds, Series 1999. The bonds were issued to finance the acquisition and construction of certain assessable capital improvements within the District, to fund a debt service reserve fund and to pay capitalized interest on the bonds. The primary sources of payment for the bonds are the assessments imposed on each benefited landowner within the District. Total principal outstanding at September 30, 2010 was \$2,410,000.

Major Debt Provisions – The special assessment bond issue and related interest is collateralized by an irrevocable lien on the proceeds from non ad valorem special assessments imposed, levied, and collected by the District on land within the District. Additionally, the bonds are payable from and collateralized under the terms of a Debt Service Reserve Fund Deficiency Agreement, dated May 1, 1999, from The Walt Disney Company (“Disney”). Any payments made by Disney to the trustee according to the terms of the agreement will be reimbursed to Disney by the trustee from monies available under the bond indenture, or from any other sources legally available to the District, if any, on May 1 or November 1 of each year. No payments were made for the year ended September 30, 2010 under the terms of the agreement.

The District may not issue or incur any additional obligations payable from the proceeds of the non ad valorem special assessments.

Prepayments – As parcels of land are sold within the District, certain prepayments of special assessments are received and placed on deposit with the trustee for prepayment on the first call date in accordance with the terms of the bond indenture. There was \$5,000 of prepayments for fiscal year 2010.

Arbitrage Rebate Payable – The rebate calculation is made every five year period. No aggregate rebate amount is due at September 30, 2010; however, the actual rebate amount, if any, may differ from the amount due to changes in the market interest rates.

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

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## NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### D. DESCRIPTION OF AND CHANGES IN GENERAL LONG-TERM DEBT (CONTINUED)

#### **\$21,045,000 Special Assessment Bonds Payable, Series 2002**

In 2002, the District issued \$18,285,000 and \$2,760,000 Special Assessment Bonds, Series 2002A and 2002B, respectively. The Series 2002A bonds were issued for the purposes of financing and refinancing the cost of acquiring, constructing and equipping certain assessable capital improvements comprising the fourth phase of development of the District, to purchase a reserve account insurance policy for deposit into the Debt Service Reserve Account securing such bonds, to pay costs of issuance, and fund capitalized interest with respect to the Series 2002A bonds. The Series 2002B bonds were issued for the purposes of refunding and restructuring the debt service on a portion of the District's Special Assessment Bonds, Series 1999 and to pay the costs of issuance with respect to the Series 2002B bonds. The primary sources of payment for the bonds are the assessments imposed on each benefited landowner within the District. Total aggregate principal outstanding at September 30, 2010 was \$14,515,000.

Major Debt Provisions – The special assessment bond issue and related interest is collateralized by an irrevocable lien on the proceeds from non ad valorem special assessments imposed, levied, and collected by the District on land within the District. Additionally, the bonds are payable from and collateralized under the terms of a Debt Service Deficiency Agreement from The Walt Disney Company (“Disney”). Any payments made by Disney to the trustee according to the terms of the agreement will be reimbursed to Disney by the trustee from monies available under the bond indenture, or from any other sources legally available to the District, if any, on May 1 or November 1 of each year. No payments were made for the year ended September 30, 2010 under the terms of the agreement.

The District may not issue or incur any additional obligations payable from the proceeds of the non ad valorem special assessments.

Prepayments – As parcels of land are sold within the District, certain prepayments are received and placed on deposit with the trustee for prepayment on the first call date in accordance with the terms of the bond indenture. There was \$10,000 of prepayments for fiscal year 2010.

Arbitrage Rebate Payable – The rebate calculation is made every five year period. No aggregate rebate amount is due at September 30, 2010; however, the actual rebate amount, if any, may differ due to changes in market interest rates.

#### **\$6,035,000 Special Assessment Bonds Payable, Series 2003**

In 2003, the District issued \$6,035,000 Special Assessment Bonds, Series 2003A. The bonds were issued for the purposes of financing the cost of acquiring, constructing and equipping a portion of certain assessable capital improvements comprising the development of Area 5 of the District, to make a deposit into the Debt Service Reserve Account securing only the Series 2003A bonds, to pay costs of issuance, and fund capitalized interest with respect to the Series 2003A bonds. The primary sources of payment for the bonds are the assessments imposed on each benefited landowner within the District. Total principal outstanding at September 30, 2010 is \$5,540,000.

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

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## NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### D. DESCRIPTION OF AND CHANGES IN GENERAL LONG-TERM DEBT (CONTINUED)

Major Debt Provisions – The special assessment bond issue and related interest is collateralized by an irrevocable lien on the proceeds from non ad valorem special assessments imposed, levied, and collected by the District on land within the District.

The District may not issue or incur any additional obligations payable from the proceeds of the non ad valorem special assessments.

Prepayments – As parcels of land are sold within the District, certain prepayments are received and placed on deposit with the trustee for prepayment on the first call date in accordance with the terms of the bond indenture. There were no prepayments for fiscal year 2010.

Arbitrage Rebate Payable – The rebate calculation is made every five year period. No aggregate rebate amount is due at September 30, 2010; however, the actual rebate amount, if any, may differ due to changes in market interest rates.

#### **\$10,960,000 Special Assessment Refunding Bonds Payable, Series 2005**

In 2005, the District issued \$10,960,000 Special Assessment Refunding Bonds, Series 2005. The bonds were issued for the purposes of refunding, on a current basis, the District's outstanding Special Assessment Bonds, Series 1994 for deposit into the Debt Service Reserve Account securing only the Series 2005 Bonds and paying costs of issuance with respect to the Series 2005 Bonds. The refunding of the Series 1994 Bonds will permit the District to have money to acquire, and construct assessable improvements without increasing the Special Assessments on those lands within the District specially benefited by such improvements. The primary sources of payment for the bonds are the assessments imposed on each benefited landowner within the District. Total principal outstanding at September 30, 2010 is \$6,440,000 less the issuance discount of \$48,764.

Major Debt Provisions – The special assessment bond issue and related interest is collateralized by an irrevocable lien on the proceeds from non ad valorem special assessments imposed, levied, and collected by the District on land within the District.

The District may not issue or incur any additional obligations payable from the proceeds of the non ad valorem special assessments.

Prepayments – As parcels of land are sold within the District, certain prepayments are received and placed on deposit with the trustee for prepayment on the first call date in accordance with the terms of the bond indenture. There were no prepayments for fiscal year 2010.

Arbitrage Rebate Payable – The rebate calculation is made every five year period. No aggregate rebate amount is due at September 30, 2010; however, the actual rebate amount, if any, may differ due to changes in market interest rates.

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

## NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### D. DESCRIPTION OF AND CHANGES IN GENERAL LONG-TERM DEBT (CONTINUED)

Bonds payable outstanding at year end are as follows:

#### Governmental activities:

Special Assessments Bonds, Series 1997, original issuance of \$19,365,000 payments range from \$290,000 to \$535,000 annually through 2019; interest at 4.70% to 5.50%	\$ 3,665,000
Special Assessments Bonds, Series 1999, original issuance of \$19,760,000 payments range from \$155,000 to \$300,000 annually through 2020; interest at 4.05% to 5.125%	2,410,000
Special Assessment Bonds, Series 2002, original issuance of \$21,045,000 payments range from \$790,000 to \$1,460,000 annually through 2022; interest at 3.10% to 5.20%	14,515,000
Special Assessment Bonds, Series 2003, original issuance of \$6,035,000 payments range from \$75,000 to \$440,000 annually through 2034; interest at 6.4%	5,540,000
Special Assessment Refunding Bonds, Series 2005, original issuance of \$10,960,000 less a net discount of \$48,764, payments range from \$835,000 to \$1,200,000 annually through 2016; interest at 2.80% to 4.00%	6,391,236
Total governmental activities	<u>\$ 32,521,236</u>

Annual debt service requirements to maturity for bonds outstanding are as follows:

Year ending September 30,	Governmental Activities	
	Principal	Interest
2011	\$ 2,566,872	\$ 1,622,257
2012	2,681,872	1,500,091
2013	2,811,872	1,382,546
2014	2,936,872	1,258,511
2015	3,081,872	1,127,481
2016-2020	11,596,876	3,656,667
2021-2025	3,750,000	1,408,860
2011-2030	1,500,000	811,200
2031-2034	1,595,000	263,680
Totals	<u>\$ 32,521,236</u>	<u>\$ 13,031,293</u>

# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

Notes to Financial Statements

September 30, 2010

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## NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

### D. DESCRIPTION OF AND CHANGES IN GENERAL LONG-TERM DEBT (CONTINUED)

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Series 1997	\$ 4,090,000	\$ -	\$ (425,000)	\$ 3,665,000	\$ 355,000
Series 1999	2,600,000	-	(190,000)	2,410,000	190,000
Series 2002	15,445,000	-	(930,000)	14,515,000	960,000
Series 2003	5,635,000	-	(95,000)	5,540,000	100,000
Series 2005	7,370,000	-	(930,000)	6,440,000	970,000
Issuance discount	(56,892)	-	8,128	(48,764)	(8,128)
Governmental activity long-term liabilities	<u>\$ 35,083,108</u>	<u>\$ -</u>	<u>\$ (2,561,872)</u>	<u>\$ 32,521,236</u>	<u>\$ 2,566,872</u>

## NOTE 5 – INTERLOCAL AGREEMENT

On April 2, 2010, the District signed an agreement with Osceola County (the “County”) for Roadway Improvements on Celebration Boulevard and Acadia Terrace such as resurfacing of areas experiencing pavement aging and distress. The County is paying the costs up-front and then invoicing the District for their share of the improvements. For the year ended September 30, 2010, the District was invoiced \$118,036 for these improvements and has made an accrual in accounts payable for that same amount in the General Fund.

## NOTE 6 – SUBSEQUENT EVENT

On January 24, 2011, the District paid Osceola County \$118,036 for payments associated with the Interlocal Agreement mentioned in Note 5. As mentioned in Note 5, \$118,036 was accrued at September 30, 2010.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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# CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

### General Fund

Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Special assessments	\$ 2,631,921	\$ 2,631,921	\$ 2,655,604	\$ 23,683
Franchise fees	886,300	886,300	822,739	(63,561)
Investment earnings	20,000	20,000	52,554	32,554
Miscellaneous income	10,000	10,000	-	(10,000)
Total revenues	<u>3,548,221</u>	<u>3,548,221</u>	<u>3,530,897</u>	<u>(17,324)</u>
<b>Expenditures</b>				
Current:				
General government	354,208	354,208	358,720	(4,512)
Maintenance	3,053,884	3,053,884	2,711,509	342,375
Capital outlay	-	-	50,347	(50,347)
Total expenditures	<u>3,408,092</u>	<u>3,408,092</u>	<u>3,120,576</u>	<u>287,516</u>
<b>Net change in fund balance</b>	140,129	140,129	410,321	270,192
<b>Fund balance, beginning of year</b>	<u>1,865,455</u>	<u>1,865,455</u>	<u>1,865,455</u>	-
<b>Fund balance, end of year</b>	<u>\$ 2,005,584</u>	<u>\$ 2,005,584</u>	<u>\$ 2,275,776</u>	<u>\$ 270,192</u>

# **CELEBRATION COMMUNITY DEVELOPMENT DISTRICT, FLORIDA**

Notes to Required Supplementary Information

September 30, 2010

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## **A. BUDGETARY INFORMATION**

Annual budgets are adopted for the General and Debt Service funds pursuant to public hearings prior to September 30 for the next ensuing fiscal year. The budgets are prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles, except the Capital Projects fund, which is prepared on the "life of the project basis." Budget amendments must be approved by the Board of Supervisors. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the aggregate level.

## **B. ENCUMBRANCES**

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year end, if any, are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The subsequent year's appropriations provide authority to complete these transactions. There were no encumbrances at year end.



Hoyman Dobson

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

Board of Supervisors  
Celebration Community Development District, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Celebration Community Development District, Florida (the "District"), as of and for the year ended September 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

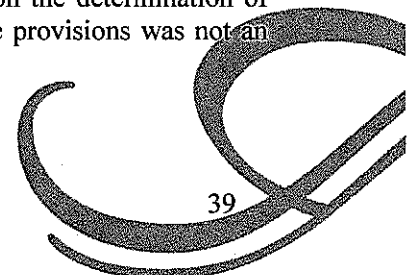
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

*Certified Public Accountants*

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Board of Supervisors  
Celebration Community Development District, Florida  
Page Two

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

This report is intended solely for the information and use of the Board of Supervisors and management of the District, others within the entity, federal and state awarding agencies and pass-through entities, and the State of Florida Office of the Auditor General, and is not intended to be, and should not be used by anyone other than these specified parties.



**Hoyman Dobson**  
Melbourne, Florida  
April 27, 2011



Hoyman Dobson

### Independent Auditors' Management Letter

Board of Supervisors  
Celebration Community Development District, Florida

We have audited the financial statements of Celebration Community Development District, Florida (the "District") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated April 27, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting on Compliance and Other Matters Based on an Audit of Financial Statements. Disclosure in that report, which is dated April 27, 2011, should be considered in conjunction with this management letter.

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

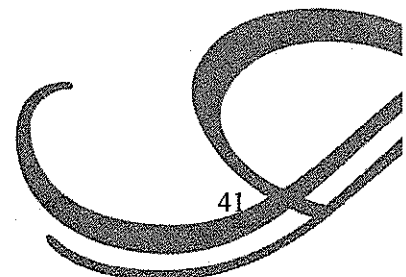
- ❖ Section 10.554(l)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address the finding and recommendation made in the preceding annual financial audit report.
- ❖ Section 10.554(l)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations..
- ❖ Section 10.554(l)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

*Certified Public Accountants*

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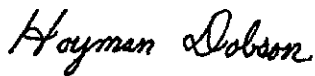
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- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of the District is disclosed in the footnotes. The District has no component units.
- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the special condition(s) met. In connection with our audit we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- ❖ Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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



**Hoyman Dobson**  
Melbourne, Florida  
April 27, 2011