

**ENTERPRISE  
COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2008**

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
Enterprise Community Development District  
Osceola County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining nonmajor fund of Enterprise Community Development District, Osceola County, Florida (the "District") as of and for the fiscal year ended September 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining nonmajor fund of the District as of September 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Grau & Associates*  
July 24, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Enterprise Community Development District, Osceola County, Florida ("District") would like to offer the readers of the District's financial statements this discussion and analysis of the District's financial activities for the fiscal year ended September 30, 2008. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the fiscal year ended September 30, 2008 resulting in a net asset balance of \$21,042,749. Of this amount, \$3,278,804 is unrestricted net assets which may be used to meet the District's ongoing obligations.
- The change in the District's total net assets in comparison with the prior year was \$31,951, an increase. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial analysis section.
- At September 30, 2008, the District's governmental funds reported combined ending fund balances of \$2,713,621, an increase of \$77,557 in comparison with the prior year. Of the total fund balance, \$1,857,998 is reserved for debt service and other items and the remainder is unreserved, undesignated fund balance which is available for spending at the District's discretion.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by assessments (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 governmental government, and physical environment. The business-type activities of the District include a water and sewer operation.

## OVERVIEW OF FINANCIAL STATEMENTS (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 funds 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 outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

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

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

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

### Proprietary Fund

The District maintains one type of proprietary fund, an enterprise fund. An enterprise fund is used to report the same function presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of the water and sewer facilities within the District.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$21,042,749 at the close of the fiscal year ended September 30, 2008.

A portion of the District's net assets reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

NET ASSETS SEPTEMBER 30,						
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets, excluding capital assets	\$ 2,804,332	\$ 2,694,994	\$ 7,747,367	\$ 7,840,002	\$ 10,551,699	\$ 10,534,996
Capital assets, net of depreciation	6,675,788	6,896,476	25,239,295	25,829,392	31,915,083	32,725,868
<b>Total assets</b>	<b>9,480,120</b>	<b>9,591,470</b>	<b>32,986,662</b>	<b>33,669,394</b>	<b>42,466,782</b>	<b>43,260,864</b>
Liabilities, excluding long-term liabilities	228,634	209,728	1,295,087	1,260,249	1,523,721	1,469,977
Long-term liabilities	5,445,000	5,960,000	14,455,312	14,820,089	19,900,312	20,780,089
<b>Total liabilities</b>	<b>5,673,634</b>	<b>6,169,728</b>	<b>15,750,399</b>	<b>16,080,338</b>	<b>21,424,033</b>	<b>22,250,066</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	1,314,998	936,476	11,097,853	11,009,303	12,412,851	11,945,779
Restricted for debt service and related	1,630,585	1,810,237	3,720,509	3,762,326	5,351,094	5,572,563
Unrestricted	860,903	675,029	2,417,901	2,817,427	3,278,804	3,492,456
<b>Total net assets</b>	<b>\$ 3,806,486</b>	<b>\$ 3,421,742</b>	<b>\$ 17,236,263</b>	<b>\$ 17,589,056</b>	<b>\$ 21,042,749</b>	<b>\$ 21,010,798</b>

At September 30, 2008 the District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The same held true for the prior fiscal year.

The District's net assets increased during the fiscal year ended September 30, 2008. The majority of the increase represents the extent to which ongoing program revenues exceeded the cost of operations and depreciation expense.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Key elements of the change in net assets are reflected in the following table:

	CHANGES IN NET ASSETS					
	FOR THE FISCAL YEAR ENDED SEPTEMBER 30,					
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,405,929	\$ 1,528,105	\$ 4,378,495	\$ 4,081,981	\$ 5,784,424	\$ 5,610,086
Operating grants and contributions	44,737				44,737	
<b>General revenues</b>						
Investment income	29,142	50,217	186,324	389,454	215,466	439,671
Miscellaneous		20,109		82,338		102,447
<b>Total revenues</b>	<b>1,479,808</b>	<b>1,598,431</b>	<b>4,564,819</b>	<b>4,553,773</b>	<b>6,044,627</b>	<b>6,152,204</b>
<b>Expenses:</b>						
General government	112,049	331,454			112,049	331,454
Maintenance and operations	633,975	405,237			633,975	405,237
Interest	349,040	379,058	814,269	831,387	1,163,309	1,210,445
Water and sewer expenses			4,103,343	3,470,076	4,103,343	3,470,076
<b>Total expenses</b>	<b>1,095,064</b>	<b>1,115,749</b>	<b>4,917,612</b>	<b>4,301,463</b>	<b>6,012,676</b>	<b>5,417,212</b>
Change in net assets	384,744	482,682	(352,793)	252,310	31,951	734,992
Net assets beginning	3,421,742	2,939,060	17,589,056	17,336,746	21,010,798	20,275,806
<b>Net assets ending</b>	<b>\$ 3,806,486</b>	<b>\$ 3,421,742</b>	<b>\$ 17,236,263</b>	<b>\$ 17,589,056</b>	<b>\$ 21,042,749</b>	<b>\$ 21,010,798</b>

### **Governmental activities**

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2008 was \$1,095,064. The majority of the costs of the District's activities were paid by program revenues. Program revenues were comprised primarily of assessments for both the 2008 and 2007 fiscal years. The District also received funds from investment earnings and right-of-way-fees which are included in program revenues.

The majority of the change in expenses in comparison with the prior fiscal year results primarily from the decrease in interest. Based on the amortization schedule of the Bonds, as the principal amount of the Bonds decrease over time, the portion of each debt service payment allocated to principal increases and the amount allocated to interest decreases.

### **Business-type activities**

For the fiscal year ended September 30, 2008, the cost of the business-type activities was \$4,917,612. The majority of those costs were paid for by program revenues.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

### **Governmental funds**

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

The general fund is the operating fund of the District and includes all activities related to providing management and operating services.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (Continued)

**Governmental funds (Continued)**

In the table below we have presented the cost of the largest functions/programs as a percentage of total governmental funds.

FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

	2008		2007	
General government	\$ 112,049	8%	\$ 107,030	8%
Maintenance and operations	413,287	29%	405,237	29%
Interest and principal on long-term debt	876,915	63%	881,315	63%
Total	<u>\$ 1,402,251</u>	<u>100%</u>	<u>\$ 1,393,582</u>	<u>100%</u>

As noted above, debt service comprised the majority of expenditures for total governmental activities for both the 2008 and 2007 fiscal years.

**Proprietary fund**

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

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The variance between budgeted and actual general fund revenues for the 2008 fiscal year was not considered significant. The actual general fund expenditures for the 2008 fiscal year were lower than budgeted amounts due primarily to anticipated repair and maintenance work which was not required.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2008, the District had \$9,438,130 invested in land, infrastructure and improvements, for its governmental activities. In the government-wide financial statements depreciation of \$2,762,342 has been taken, which resulted in a net book value of \$6,675,788. The District's business-type activities reported net capital assets of \$25,239,295. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2008, the District had \$5,445,000 Bonds outstanding for its governmental activities, a decrease of approximately 9% from the prior year. For business-type activities, the District had Bonds outstanding of \$14,565,000, a decrease of approximately 2% from the prior year. No new debt was issued during the 2008 fiscal year and the District had no immediate need to issue additional debt. More detailed information about the District's capital debt is presented in the notes of the financial statements.

### Other

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for fiscal year 2009. In addition, it is anticipated that the general operations of the District will remain fairly constant. For the utility operations, it is anticipated that any future growth would come primarily from commercial development. The District is continuing to work with the engineer to consider future anticipated capacity requirements for available commercial property.

For the utility operations, in June 2008 the District engaged the services of an entity to perform a Water, Wastewater, and Reuse Water Rate Study which was completed in March 2009. The report summarized the District's existing rates and projected revenue requirements through the fiscal year ended September 30, 2013. The study will be used to assist the District with, among other things, determining rates to be charged to customers and compliance with rate covenants required by its outstanding debt.

### Contacting the District's Financial Management

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Enterprise Community Development District's Finance Department at 210 N. University Drive, Suite 702, Coral Springs, FL 33071.

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 1,123,174	\$ 2,268,141	\$ 3,391,315
Investments	35,312		35,312
Interest receivable	2,162	5,330	7,492
Accounts receivable	5,566	499,087	504,653
Assessments receivable	13,237		13,237
Due from (to) other funds	(116,573)	116,573	-
Prepays	5,280		5,280
Restricted assets:			
Cash	50,000	708,518	758,518
Investments	1,686,174	3,835,848	5,522,022
Interest receivable			-
Deferred charges		313,870	313,870
Capital assets:			
Nondepreciable	4,413,271	218,400	4,631,671
Depreciable, net	2,262,517	25,020,895	27,283,412
Total assets	<u>9,480,120</u>	<u>32,986,662</u>	<u>42,466,782</u>
<b>LIABILITIES</b>			
Accounts payable	40,711	471,230	511,941
Accrued interest payable	137,923	335,136	473,059
Deposits	50,000	488,721	538,721
Non-current liabilities:			
Due within one year	550,000	390,000	940,000
Due in more than one year	4,895,000	14,065,312	18,960,312
Total liabilities	<u>5,673,634</u>	<u>15,750,399</u>	<u>21,424,033</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,314,998	11,097,853	12,412,851
Restricted for debt service	1,630,585	3,720,509	5,351,094
Unrestricted	860,903	2,417,901	3,278,804
Total net assets	<u>\$ 3,806,486</u>	<u>\$ 17,236,263</u>	<u>\$ 21,042,749</u>

See notes to the financial statements

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

Functions/Programs	Program Revenues			Changes in Net Assets			Net (Expense) Revenue and
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Business-type Activities	Total	
<b>Governmental activities:</b>							
General government	\$ 112,049	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Maintenance and operations	633,975	410,723	(223,252)				(223,252)
Interest on long-term debt	349,040	883,157	44,737	578,854			578,854
Total governmental activities	1,095,064	1,405,929	44,737	355,602	-		355,602
<b>Business-type activities:</b>							
Water and sewer expenses	4,103,343	4,378,495			275,152		275,152
Interest on long-term debt	814,269				(814,269)		(814,269)
Total business-type activities	4,917,612	4,378,495	-	-	(539,117)		(539,117)
<b>General revenues:</b>							
Unrestricted investment earnings				29,142	186,324		215,466
Total general revenues				29,142	186,324		215,466
Change in net assets				384,744	(352,793)		31,951
Net assets - beginning				3,421,742	17,589,056		21,010,798
Net assets - ending				\$ 3,806,486	\$ 17,236,263		\$ 21,042,749

See notes to the financial statements

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008**

	Major Funds		NonMajor	Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>ASSETS</b>				
Cash	\$ 1,038,964	\$ -	\$ 84,210	\$ 1,123,174
Investments	35,312	1,686,174		1,721,486
Assessments receivable	4,910	8,327		13,237
Accounts receivable	5,566			5,566
Interest receivable		2,162		2,162
Due from other funds		71,845		71,845
Prepays	5,280			5,280
Cash - restricted	50,000			50,000
Total assets	\$ 1,140,032	\$ 1,768,508	\$ 84,210	\$ 2,992,750
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 40,711	\$ -	\$ -	\$ 40,711
Due to other funds	188,418			188,418
Liability payable from restricted asset	50,000			50,000
Total liabilities	279,129	-	-	279,129
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Debt service		1,768,508		1,768,508
Capital projects			84,210	84,210
Other	5,280			5,280
<b>Unreserved, reported in:</b>				
General fund	855,623			855,623
Total fund balances	860,903	1,768,508	84,210	2,713,621
<b>Total liabilities and fund balances</b>	\$ 1,140,032	\$ 1,768,508	\$ 84,210	\$ 2,992,750

See notes to the financial statements

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008**

Fund balance - governmental funds		\$ 2,713,621
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in the governmental funds. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets of the government as a whole.</p>		
Cost of capital assets	\$ 9,438,130	
Accumulated depreciation	<u>(2,762,342)</u>	6,675,788
<p>Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.</p>		
Accrued interest payable	(137,923)	
Bonds payable	<u>(5,445,000)</u>	(5,582,923)
Net assets of governmental activities		<u><u>\$ 3,806,486</u></u>

See notes to the financial statements

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	Major Funds		NonMajor	Total Governmental Funds
	General	Debt Service	Capital Projects	
<b>REVENUES</b>				
Assessments	\$ 463,895	\$ 874,521	\$ -	\$ 1,338,416
Interest	28,478	44,737	664	73,879
Right of way fees	49,773			49,773
Other revenues	9,104	8,636		17,740
Total revenues	551,250	927,894	664	1,479,808
<b>EXPENDITURES</b>				
Current:				
General government	102,887	9,162		112,049
Maintenance and operations	413,287			413,287
Debt Service:				
Principal		515,000		515,000
Interest		361,915		361,915
Total expenditures	516,174	886,077	-	1,402,251
Excess (deficiency) of revenues over (under) expenditures	35,076	41,817	664	77,557
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		6		6
Transfers out			(6)	(6)
Total other financing sources (uses)	-	6	(6)	-
Net change in fund balances	35,076	41,823	658	77,557
Fund balances - beginning	825,827	1,726,685	83,552	2,636,064
Fund balances - ending	\$ 860,903	\$ 1,768,508	\$ 84,210	\$ 2,713,621

See notes to the financial statements

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

Net change in fund balances - total governmental funds	\$	77,557
Amounts reported for governmental activities in the statement of activities are different because:		
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.		(220,688)
Repayments of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.		515,000
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.		12,875
Change in net assets of governmental activities	<u>\$</u>	<u>384,744</u>

See notes to the financial statements

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
SEPTEMBER 30, 2008**

	<u>Business-type Activiites Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 2,268,141
Interest receivable	
Accounts receivable	499,087
Due from other funds	159,458
Total current assets	<u>2,926,686</u>
Noncurrent assets:	
Restricted assets:	
Cash	708,518
Investments	3,835,848
Interest receivable	5,330
Deferred charges	313,870
Capital assets:	
Land	218,400
Improvements	29,527,831
Less accumulated depreciation	(4,506,936)
Total capital assets, net	<u>25,239,295</u>
Total noncurrent assets	<u>30,102,861</u>
Total assets	<u>33,029,547</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	471,230
Due to other funds	42,885
Payable from restricted assets:	
Accrued bond interest payable	335,136
Deposits	488,721
Bonds payable	390,000
Total current liabilities	<u>1,727,972</u>
Noncurrent liabilities	
Bonds payable	14,065,312
Total noncurrent liabilities	<u>14,065,312</u>
Total liabilities	<u>15,793,284</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	11,097,853
Restricted for debt service and bond covenant accounts	3,720,509
Unrestricted	2,417,901
Total net assets	<u>\$ 17,236,263</u>

See notes to the financial statements

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET ASSETS - PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	Business-type Activities Enterprise Fund
Operating revenues:	
Charges for sales services:	
Water and sewer revenue	\$ 3,920,840
Other operating revenue	20,646
Total operating revenues	3,941,486
 Operating expenses:	
Water purchases and wastewater treatment	2,097,750
General and administrative	997,780
Depreciation	987,644
Total operating expenses	4,083,174
 Operating income (loss)	(141,688)
 Nonoperating revenues (expenses):	
Water and sewer connection fees	437,009
Amortization	(20,169)
Interest income	186,324
Interest expense	(814,269)
Total nonoperating revenues	(211,105)
 Change in net assets	(352,793)
 Total net assets, beginning	17,589,056
 Total net assets, ending	\$ 17,236,263

See notes to the financial statements

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 3,977,048
Payments to suppliers	(3,217,234)
Net cash provided by operating activities	<u>759,814</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Connection fees	437,009
Purchase of capital assets	(397,547)
Principal paid	(370,000)
Interest paid	(821,592)
Net cash (used by) capital and related financing activities	<u>(1,152,130)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	(73,522)
Interest income	185,922
Net cash provided by investing activities	<u>112,400</u>
Net (decrease) in cash and cash equivalents	(279,916)
Cash and cash equivalents - October 1	<u>3,256,575</u>
Cash and cash equivalents - September 30	<u>\$ 2,976,659</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH (USED BY) OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (141,688)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	987,644
(Increase) decrease in:	
Accounts receivable	28,010
Interfund receivables	(159,458)
Prepays	
Increase (decrease) in:	
Accounts payable	34,609
Interfund payables	3,145
Customer deposits payable	7,552
Total adjustments	<u>901,502</u>
Net cash provided by operating activities	<u>\$ 759,814</u>

See notes to the financial statements

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

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

**Reporting Entity**

Enterprise Community Development District ("District") was created on March 29, 1994 by Rule 42R of the Florida Land and Water Adjudicatory Commission, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District encompasses approximately 1,552 acres of an anticipated 9,500 acre planned community ("Enterprise") being developed by the Celebration Company ("Developer"), a subsidiary of The Walt Disney Company.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2008 certain of the Board members are affiliated with the Developer and the Walt Disney Company.

The Board has the responsibility for:

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

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

**Government-Wide and Fund Financial Statements**

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

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

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

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

### **Government-Wide and Fund Financial Statements (Continued)**

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's enterprise fund are charges to customers for sales and services. In addition, the water and sewer fund receive connection fees from new customers for connection to the system. Operating expenses of the enterprise fund 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.

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

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

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

### **Assessments**

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are levied to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. The District's annual assessments for operations and debt service are billed and collected by the County Tax Assessor/Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

### **General Fund**

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

### **Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

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

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

The District also reports the following nonmajor governmental fund:

#### **Capital Projects Fund**

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

The District reports the following major proprietary fund:

#### **Water and Sewer Fund**

The water and sewer fund accounts for the water and sewer operations of the District that are financed and supported primarily by user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to apply 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 internal receivable and payable balances between governmental and business-type activities.

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

### **Assets, Liabilities and Net Assets or Equity**

#### **Restricted Assets**

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

#### **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. The District considered highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

The District has adopted a policy for its investments specifying that investment alternatives, (other than publicly traded securities) must have an established market. Investments shall be subject to the cash flow needs of the District. Such cash flows are subject to revisions as market conditions and the District's needs change. It is the intent of the District to avoid assets that require a significant time to liquidate. Investment of District funds may include, subject to certain restrictions and requirements, Local Government Surplus Funds Trust Fund or similar common trust fund which is established pursuant to State law as a legal depository of public moneys; negotiable direct obligations of, or obligations of which the principal and interest are unconditionally guaranteed by, the United States Government; bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation; investment agreements with any bank or other financial institution; deposits, federal funds or bankers acceptances of any domestic bank, including a branch office of a foreign bank which branch office is located in the United States; repurchase agreements collateralized by Direct Obligations with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank; prime commercial paper of a United States corporation, finance company or banking institution if such commercial paper is rated at least "P-1" by

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

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

#### **Deposits and Investments (Continued)**

Moody's or at least "A-I +" by S&P and if such commercial paper is stated to mature in not more than 270 days; securities of or other investments in, any open-ended or closed-end 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 investment company or investment trust is limited to United States Government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; securities permitted by Sections 218.345 and 218.415(15), Florida Statutes, as amended from time to time; and such other securities as approved by resolution of the governing body of the District.

In addition, Bond proceeds are required to be held in investments as specified in the Bond Indenture.

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

#### **Receivables and Payables**

During the course of operations, transactions occur between individual funds. Any residual balances outstanding between governmental activities and business-type activities for internal borrowing are reported in the government-wide statements as "internal balances".

Accounts receivable and revenues for the enterprise fund are shown net of an allowance for uncollectible amounts. These receivables will be recognized as revenue as they are collected. For water and sewer accounts receivable, an estimated 11% of amounts outstanding in excess of 120 days totaling approximately \$63,180 comprised the allowance at September 30, 2008. In addition, late accounts are charged a fee of 18%.

#### **Inventories and Prepaid Items**

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements	10 - 50
Infrastructure	10 - 40

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

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

#### **Capital Assets (Continued)**

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

#### **Deferred Charges**

In connection with the issuance of certain debt in a prior year, the District incurred certain costs that have been capitalized and amortized over the estimated life of the Bonds. At September 30, 2008 the District reported deferred charges, net of accumulated amortization of \$313,870 for its business-type activities.

#### **Deferred Revenue**

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

#### **Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts.

#### **Fund Equity/Net Assets**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt represents net assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net assets represent the assets restricted by the District's Bond covenants and other agreements.

### **Other Disclosures**

#### **Use of Estimates**

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

## NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

## NOTE 3 – CASH AND INVESTMENTS

### Cash

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

### Investments

The District's investments were held as follows at September 30, 2008:

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Maturities</u>
Money Market Mutual Funds - First American Government Obligations Fund Investment in Local Government Surplus Trust Funds Investment Pool - Fund A	\$ 5,511,126	S&P AAAM	Weighted average of the fund portfolio: 40 days
Investment in Local Government Surplus Trust Funds Investment Pool - Fund B	866	S&P AAAM	*
	<u>45,342</u>	Not rated	*
Total Investments	<u>\$ 5,557,334</u>		

\* The State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool ("Pool") was restructured on December 4, 2007 into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B and certain restrictions were implemented. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool Fund A. Fund B is not rated by any nationally recognized statistical rating agency.

### NOTE 3 – CASH AND INVESTMENTS (Continued)

#### Investments (Continued)

There are two options for accounting and reporting for money market investment pools either “2a-7 like” or fluctuating net asset value (“NAV”). “2a-7 like” pool is an external investment pool that is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. Rule 2a-7 is the rule that allows money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions. The Local Government Surplus Funds Trust Fund Investment Pool is considered a 2a7-like fund and the District has reported its investment in Fund A at the same value as the pooled shares allocated to the District. The estimated weighted average maturity of the fund portfolio is 8.5 days. Fund B is accounted for as a fluctuating NAV pool and the fair value factor for September 30, 2008 was .798385. The District has multiplied its account balance at September 30, 2008 by the factor to determine the investment balance to be reported for a net unrealized loss of approximately (\$11,450). The weighted average life of the fund is 9.36 years. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

*Custodial risk* – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk in addition to the investment policy disclosed in Note 1.

The money market mutual funds are not evidenced by securities that exist in physical or book entry form.

*Credit risk* – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

*Concentration risk* – The District places no limit on the amount the District may invest in any one issuer.

*Interest rate risk* – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates in addition to the investment policy disclosed in Note 1.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

### NOTE 4 – RESTRICTED ACCOUNTS

At September 30, 2008 the District reported the following restricted asset accounts for its governmental activities:

	<u>Governmental Activities</u>
Restricted cash for right of way agreement	<u>\$ 50,000</u>

In a prior year the District entered into an agreement whereby the District receives payments monthly for certain right of way easement access. Right of way revenues for the fiscal year ended September 30, 2008 were approximately \$49,770. In addition, the District has restricted cash of \$50,000 and a deposit liability in connection with the easement agreement.

**NOTE 4 – RESTRICTED ACCOUNTS (Continued)**

At September 30, 2008 the District reported the following restricted asset accounts for its business-type activities:

	<u>Business-type Activities</u>
Cash:	
Restricted for customer deposits	\$ 488,721
Restricted for accrued interest payable	219,797
	<u>\$ 708,518</u>
Investments:	
Sinking fund	\$ 115,339
Other restricted	11,698
Debt service reserve - Bond covenant account	1,132,630
Maintenance reserve - Bond covenant account	1,801,596
Operating reserve - Bond covenant account	774,585
	<u>\$ 3,835,848</u>

In connection with the District's water and sewer operations, deposits collected from customers are subject to refund and are therefore restricted. In addition, in connection with the District's Bonds discussed in Note 7, water and sewer connection fees and certain other amounts are to be set aside for a specific purpose.

**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables at September 30, 2008 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 42,885	\$ 231,303
Debt service	71,845	
Water and sewer	159,458	42,885
Total	<u>\$ 274,188</u>	<u>\$ 274,188</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

## NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<b><u>Governmental activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 4,413,271	\$ -	\$ -	\$ 4,413,271
Total capital assets, not being depreciated	4,413,271			4,413,271
Capital assets, being depreciated				
Infrastructure	4,076,642			4,076,642
Improvements	948,217			948,217
Total capital assets, being depreciated	5,024,859	-	-	5,024,859
Less accumulated depreciation for:				
Furniture, fixtures and equipment				-
Infrastructure	1,817,067	40,286		1,857,353
Improvements	724,587	180,402		904,989
Total accumulated depreciation	2,541,654	220,688	-	2,762,342
Total capital assets, being depreciated, net	2,483,205	(220,688)	-	2,262,517
Governmental activities capital assets, net	\$ 6,896,476	\$ (220,688)	\$ -	\$ 6,675,788
<b><u>Business type activities</u></b>				
Capital assets, not being depreciated				
Land and land improvements	\$ 218,400	\$ -	\$ -	\$ 218,400
	218,400	-	-	218,400
Capital assets, being depreciated				
Improvements	29,130,284	397,547		29,527,831
Total capital assets, being depreciated	29,130,284	397,547	-	29,527,831
Less accumulated depreciation for:				
Improvements	3,519,292	987,644		4,506,936
Total accumulated depreciation	3,519,292	987,644	-	4,506,936
Total capital assets, being depreciated, net	25,610,992	(590,097)	-	25,020,895
Business type activities capital assets, net	\$ 25,829,392	\$ (590,097)	\$ -	\$ 25,239,295

## NOTE 7 – LONG-TERM LIABILITIES

The financing of the District contemplated the issuance of up to \$235,000,000 of Bonds. At September 30, 2008 the District has the following Bond issues outstanding.

### **Series 1994**

In June 1994, the District issued \$14,555,000 of Special Assessment Revenue Bonds, Series 1994 due on May 1, 2016 with interest rates from 4.75% to 6.10%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is to be paid semiannually on each May 1 and November 1. Principal is due serially from May 1997 to May 1, 2016.

The Bonds are subject to redemption at the option of the District prior to their maturity and are also subject to extraordinary mandatory redemption prior to their selected maturity as outlined in the Bond Indenture.

The scheduled payment of principal and interest on the Bonds are to be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Municipal Bond Investments Assurance Corporation.

## **NOTE 7 – LONG-TERM LIABILITIES (Continued)**

### **Series 1994 (Continued)**

In addition, the Series 1994 Bonds were payable from and collateralized under the terms of a Debt Service Reserve Fund Deficiency Agreement, dated as of June 15, 1994, 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 fiscal year ended September 30, 2008 under the terms of the agreement. Further, as noted below, the Guarantee Agreement is no longer in effect.

The Bond Indenture established a debt service reserve requirement as well as other restrictions and requirements relating principally to the use of proceeds and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. Management has determined that the District was in compliance with the requirements of the Bond Indenture as of September 30, 2008.

### **Series 1999**

In September 1999, the District issued \$16,855,000 of Water and Sewer Revenue Bonds, Series 1999 due on May 1, 2029 with a interest rates from 4.10% to 5.75%. The Bonds were issued to finance the acquisition and construction of certain water and sewer facilities of the District. Interest is payable semiannually on each May 1 and November 1. Principal is payable on an annual basis commencing May 1, 2002 through May 1, 2029.

The Bonds are payable from pledged revenue which includes, without limitation, net revenue received by the District from the users of the water and sewer services. The Series 1999 Bonds are secured by the pledged revenue as defined in the Master Trust Indenture.

The Bonds are subject to redemption at the option of the District prior to their maturity and are also subject to extraordinary mandatory redemption prior to their selected maturity as outlined in the Bond Indenture.

The scheduled payment of principal and interest on the Bonds are to be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Municipal Bond Investments Assurance Corporation.

In addition, the Series 1999 Bonds were payable from and collateralized under the terms of a Debt Service Reserve Fund Deficiency Agreement, dated as of June 15, 1994, 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 fiscal year ended September 30, 2008 under the terms of the agreement. Further, as noted below, the Guarantee Agreement is no longer in effect.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the Indenture. In addition, the Bond Indenture has certain restrictions and requirements relating principally to the procedures to be followed in the collection of pledged revenues and the application of the revenues to the various restricted accounts.

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

**Series 1999 (Continued)**

At September 30, 2008 the reserve account was underfunded by approximately (\$138,875) primarily as a result of a transfer from the reserve to the debt service revenue account in May 2008 of approximately \$114,700. The trustee was contacted to transfer the money back and in March 2009 a transfer was made of approximately \$132,900 from the debt service revenue account to the reserve account. Management has determined that the reserve has been substantially restored.

In addition, pursuant to the Bond covenants, the District will set rates such that in each fiscal year both net revenues and operating revenues, as defined by the Indenture, will provide required coverage of debt and operating costs. For the fiscal year ended September 30, 2008 net revenues and operating revenues as computed by the District were not sufficient to meet the required coverage as outlined in the Bond Indenture, however, in June 2008 the District engaged the services of an entity to perform a Water, Wastewater, and Reuse Water Rate Study which was completed in March 2009. The report summarized the District's existing rates and projected revenue requirements through the fiscal year ended September 30, 2013. The study will be used to assist the District with, among other things, determining rates to be charged to customers and compliance with rate covenants required by its outstanding debt.

**Guarantee Agreement**

The Series 1994 and Series 1999 Bonds were also payable from and collateralized under the terms of a Guarantee Agreement from Disney to the trustee for the benefit of the owner of the Bonds. To the extent that there is a deficiency in operating revenues from the system and or connection charges, which give rise to a payment obligation on the part of Disney, then, to the extent such payment are used to pay debt service on the Bonds or to restore the balance in the debt service reserve fund to meet the requirement, Disney may, in its sole discretion, elect to apply such payments to the purchase of capacity in the system. In that event, Disney will be deemed to have a prepaid connection credit with the District. No payments were made for the fiscal year ended September 30, 2008. In addition, during the fiscal year ended September 30, 2008, the conditions to terminate this agreement were deemed to have been met and the agreement is no longer in effect.

Changes in long-term liability activity for the fiscal year ended September 30, 2008 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Governmental activities</u></b>					
Bonds payable:					
Series 1994	\$ 5,960,000	\$ -	\$ (515,000)	\$ 5,445,000	\$ 550,000
Total	<u>\$ 5,960,000</u>	<u>\$ -</u>	<u>\$ (515,000)</u>	<u>\$ 5,445,000</u>	<u>\$ 550,000</u>
<b><u>Business-type Activities</u></b>					
Bonds payable:					
Series 1999	\$ 14,935,000	\$ -	\$ (370,000)	\$ 14,565,000	\$ 390,000
Less discounts	(114,911)		5,223	(109,688)	
Total	<u>\$ 14,820,089</u>	<u>\$ -</u>	<u>\$ (364,777)</u>	<u>\$ 14,455,312</u>	<u>\$ 390,000</u>

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

At September 30, 2008, the scheduled debt service requirements on the long-term debt were as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2009	\$ 550,000	\$ 331,015	\$ 881,015
2010	580,000	298,015	878,015
2011	615,000	263,215	878,215
2012	655,000	225,700	880,700
2013	695,000	185,745	880,745
2014 - 2016	2,350,000	292,190	2,642,190
Total	<u>\$ 5,445,000</u>	<u>\$ 1,595,880</u>	<u>\$ 7,040,880</u>

Year ending September 30:	Business-type Activities		
	Principal	Interest	Total
2009	\$ 390,000	\$ 804,328	\$ 1,194,328
2010	410,000	785,413	1,195,413
2011	430,000	764,913	1,194,913
2012	450,000	742,983	1,192,983
2013	475,000	719,583	1,194,583
2014 - 2018	2,800,000	2,820,948	5,620,948
2019 - 2023	3,675,000	2,292,050	5,967,050
2024 - 2028	4,805,000	1,166,255	5,971,255
2029	1,130,000	64,410	1,194,410
Total	<u>\$ 14,565,000</u>	<u>\$ 10,160,883</u>	<u>\$ 24,725,883</u>

**NOTE 8 – MANAGEMENT COMPANY**

The District has contracted with a management company to perform management advisory services, which include financial and accounting services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

**NOTE 9 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

**NOTE 10 – OTHER INFORMATION**

Subsequent to September 30, 2008, a certain landowner filed for bankruptcy protection. The District filed two (2) proofs of claim in the amounts of approximately \$560,187 and \$404,751-\$545,731 for various secured and unsecured claims associated with both debt service and operation and maintenance assessments, as well as for utility services provided. The District expects to recover the secured past due and future assessments but collection of unsecured amounts related to utility services is less certain at this time.

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts <u>Original &amp; Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Assessments	\$ 468,912	\$ 463,895	\$ (5,017)
Interest	56,500	28,478	(28,022)
Right of way fees	60,000	49,773	(10,227)
Miscellaneous income	-	9,104	9,104
Total revenues	<u>585,412</u>	<u>551,250</u>	<u>(34,162)</u>
<b>EXPENDITURES</b>			
Current:			
General government	121,527	102,887	18,640
Maintenance and operations	1,228,384	413,287	815,097
Total expenditures	<u>1,349,911</u>	<u>516,174</u>	<u>833,737</u>
Excess (deficiency) of revenues over (under) expenditures	(764,499)	35,076	799,575
<b>OTHER FINANCING SOURCES</b>			
Carryforward surplus	764,498	-	(764,498)
Net change in fund balance	<u>\$ (1)</u>	35,076	<u>\$ 35,077</u>
Fund balance - beginning		<u>825,827</u>	
Fund balance - ending		<u>\$ 860,903</u>	

See notes to required supplementary information

**ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT  
OSCEOLA COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the general fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The variance between budgeted and actual general fund revenues for the 2008 fiscal year was not considered significant. The actual general fund expenditures for the 2008 fiscal year were lower than budgeted amounts due primarily to anticipated repair and maintenance work which was not required.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors  
Enterprise Community Development District  
Osceola County, Florida

We have audited the financial statements of governmental activities, the business-type activities, each major fund and the remaining nonmajor fund of Enterprise Community Development District, Osceola County, Florida ("District") as of and for the fiscal year ended September 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the management, Board of Supervisors of Enterprise Community Development District, Osceola County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Ghan & Associates*

July 24, 2009

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

To the Board of Supervisors  
Enterprise Community Development District  
Osceola County

We have audited the accompanying basic financial statements of Enterprise Community Development District, Osceola County, Florida ("District") as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated July 24, 2009.

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

In addition, we have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters dated July 24, 2009. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

This report is intended for the information of the management, Board of Supervisors of Enterprise Community Development District, Osceola County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Enterprise Community Development District, Osceola County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

*Grau & Associates*

July 24, 2009

## REPORT TO MANAGEMENT

### I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

### II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

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

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

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

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2007.

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

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

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

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2008.

4. Violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2008.

5. For matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of laws, regulations, and contracts or grant agreements, or abuse that have occurred, or are likely to have occurred.

- b. Control deficiencies that are not significant deficiencies, including, but not limited to:

1. Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
2. Failures to properly record financial transactions.

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

3. Inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2008.

6. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2008 financial audit report.
8. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
9. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.